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FILE No. NEQ 2/1 (Part)

TITLE: RELATIONS BETWEEN SOVIET BLOC AND IRAQ

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BRITISH EMBASSY,
BAGHDAD.

20 December 1969

CJ 27/12

Dear Dick,

Iraqi Oil

I called on Mr. Kres, the Czech Commercial Counsellor, on 18 December to discuss the agreement with Czechoslovakia reported in Baghdad tel. no. 1007 (not to all). He gave me the following information about the agreement:-

(a) Details of the contract for the erection of the Basra Refinery were still being worked out in Prague and the specific contract for the project had not yet been signed. It was envisaged that about 45% of the price (in the region of ID 20 million in toto) would be paid in Iraqi crude.

(b) The USSR had in fact told the Czechs that they would not be able to meet their future requirements and that consequently they should look for other sources of supply. This intimation had been given during meetings in Moscow when the economic programme for the next ten years had been under consideration. By 1974 the Czechs would definitely require further sources of supply and this was the explanation of their agreement with Iraq as well as Iran (when I mentioned to him the official denial quoted in the Tehran Journal of 3 December that an agreement had been signed between Iraq and Czechoslovakia he replied that an overall agreement had been signed but this required specific contracts to be negotiated and it was true that no such contracts had yet been signed). He explained, however, that the Czechs certainly did not intend to become dependent on Iraq alone as a source of supply and were considering the possibility of arrangements with Algeria, UAR and even Libya in addition to Iran. In general they would look for supplies to countries which would provide a good market for the goods which they can supply.

(c) The Iraqis had suggested Iraq participation in the Rijeka pipe-line though he was not clear what sort of participation they proposed beyond the fact that they thought of paying for it with crude oil. The Czechs had agreed to look at the Iraqis suggestions but matters had not proceeded beyond this. The question of the pipeline would have to be discussed with all the COMECOM countries and he did not envisage that plans to go ahead could be ready, assuming agreement to have been reached, before the lapse of six months or a year. He had therefore been surprised to see the Financial Times article of 25 November.

R. H. Ellingworth, Esq.,
Commodities & Oil Department,
F.C.O.

/(d)

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(d) The supply of crude from Iraq or Iran would be very expensive so long as it had to come round the Cape. It was possible, however, that the Czechs might buy a tanker or tankers. He was not specific about Czechoslovakia's future needs but did not dissent from the figure of 5 million tons from non-USSR sources mentioned in the Financial Times article.

2. I also paid a call on Mr. Siera, the Polish Commercial Counsellor, and asked him his opinion about the Rijeka pipe-line. He told me that:-

(a) Ammash had recently approached the Polish Ambassador suggesting Iraqi participation in the pipe-line in return for Iraqi crude oil. The question had been referred to Warsaw but no reply had yet been received. He did not anticipate that it would be favourable.

(b) He had not himself heard that the USSR had encouraged Poland to look elsewhere for future supplies of crude oil but it was very likely. For some time the supplies from the USSR had only been barely sufficient and there was obviously an increasing demand for oil.

(c) He foresaw great difficulties in Poland buying Iraqi or Iranian oil on account of the transport problems. He wondered, however, if IPC had been asked whether their pipe-line to the Mediterranean could be used for pumping INOC oil (I said that I had never heard of such a suggestion and understood that the Minister of Oil might contemplate a new pipe-line from the Basra area to the Mediterranean near Tartus).

3. Meantime there has been a further development in Iraq's relations with Hungary since my letter 6/69 of 13 December (not to all). Sa'adoun Hamadi, the Chairman of the Iraq National Oil Company, returned on 18 December from Budapest and in a statement made to the Iraq News Agency said that an agreement on general cooperation had been signed between INOC and Comocomplex on 16 December. It would run for 10 years and provided for a loan of $15m. to INOC for equipment, machinery and materials as well as the cost of services. Hamadi also said that the Hungarian authorities had offered to buy crude produced by INOC "as soon as means of transport become available from the Mediterranean to Hungary".

4. What this seems to add up to is that, unless the wool has been pulled over my eyes, the Rijeka pipe-line has still not been agreed upon by the COMECOM countries but that the Iraqis are pressing hard for the scheme to go forward and are even offering participation as an inducement. There is a group of economic advisers in Iraq, of whom the Minister of Economy Dr. Qadduri is one, who have consistently maintained that it should be possible for Iraq to sell its oil on satisfactory terms directly rather than through IPC's outlets. Though this view has met some scepticism from other members of the regime it seems clear that those who advocate it are pulling out every stop just at present. Their efforts seem to have

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increased in intensity with the prospect of serious negotiations with IPC and, although the object might conceivably be to strengthen Iraq's bargaining position with the Company, I fear that other explanations are more likely. The advocates of the "direct sales" policy are probably motivated by aspirations that Iraq should have a hand in marketting its own oil as well as exploiting it "directly" as well as a desire on the part of some of them to do IPC in the eye.

Yours Ever

Donald

(D. F. Hawley)

c.c. J. C. Cloake, Esq.,
TEHRAN.

J. R. Rich, Esq.,
PRAGUE

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FOREIGN AND COMMONWEALTH OFFICE
-8 JAN 1970
ALLOCATIONS SECTION

Soviet Bloc Penetration of Ba'athist Iraq

SUMMARY

1. Introductory assessment of Soviet bloc intentions towards Ba'athist Iraq and of Ba'athist attitudes towards the bloc. Mutual suspicions survive but hardly affect the visible policies of either side. (Paragraphs 1 - 2).

2. Effect of Soviet support for the Arab cause in Palestine. (Paragraph 3).

3. Recent developments on the ground:

   (a) Military dependence on the U.S.S.R. is now almost total (Paragraphs 5 and 6).

   (b) In the economic field the bloc has been pursuing an aggressive trade policy, has restored its reputation as supplier of development credits on easy terms, has acquired merit by encouraging Iraq's hopes of exploiting its own mineral wealth, and has achieved a strategic gain with its Fisheries Agreement. (Paragraph 7).

   (c) Politically, the bloc has secured Iraqi recognition of the GDR, promoted a flood of visits in both directions and "cooperation" agreements of various kinds, and secured the abject allegiance of Iraqi publicity media. Bloc experts in Iraq in fair numbers. (Paragraph [illegible]).

4. Does all this mean that Ba'athist Iraq's progress towards Moscow has passed the point of no return? Certain reservations, both of principle and practice, on both sides. Nonetheless, the bloc can be fairly satisfied with its success to date. (Paragraph 9).

5. It would still be possible to pull Iraq back into a middle path if the West thought it worth the effort. (Paragraph 10).

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BRITISH EMBASSY
BAGHDAD

(2/1)

3 January 1970.

Sir,

Any attempt to assess at the receiving end (so to speak) the success so far achieved by the Soviet *bloc* in the penetration of Ba'athist Iraq must beg one basic question. This concerns the nature of the *bloc*'s, in effect the Soviet Union's, own intentions - a subject on which I am hardly qualified to pronounce. But since a guess at their policy has to be made in order to judge how well they are getting along with it, the following in brief is mine. The Soviet Government, I would say, have no desire at this stage to press for the communization of Iraq. They remain for good historical reasons highly suspicious of the Iraqi Ba'ath, but are no more concerned than elsewhere in Arab countries for the fortunes of the local Communist party. They see the course of Middle East history (at least as long as the Arab/Israel problem is unsolved) moving by itself in their favour *vis-a-vis* the West, and while of course they are happy to give it a fair wind, they see no advantage in forcing the pace. In Iraq itself, apart from extending their influence in general terms, they are specifically concerned to disrupt the West's oil monopoly, acquire warm-water

/port

The Right Honourable
Michael Stewart, M.P.,
etc., etc., etc.,

port facilities, and exploit their enhanced position with the aim of encircling Iran and promoting the overthrow of that and other "reactionary" régimes. For all of this the continuation in power in Iraq of a reasonably radical Ba'athist clique, and the cultivation of a patron/client relationship with it, will serve their present purposes well enough.

2. If this or something like it represents the Soviet attitude towards Ba'athist Iraq, what is the attitude of Ba'athist Iraq towards Communism (in philosophical terms) and towards the Communist bloc (in political ones)? The writings of Aflaq and other founding fathers, though favouring closer relations with socialist States, at least make it clear that Communism cannot be the Arab road to socialism; and the spiritual element in Aflaq's philosophy is of course from a different German stable than Marx. Whatever may be true of the neo-Ba'ath in Syria, Aflaq remains an influential figure amongst Iraqi Ba'athists; and though the pure milk of his doctrine has in practice been adulterated here too, the Party continues to regard Ba'athism as a complete political philosophy in its own right. Even the tendency amongst its younger exponents to veer further towards Communism than either Aflaq or his maturer Iraqi disciples would wish is more a function of Iraq's tactical alignment with the Eastern bloc and its political alienation from the United States than of idealogical conviction or understanding. Within its own borders Iraq's Ba'athists (despite

occasional genuflexions towards National Frontery) remain determined to prevent other parties sharing significantly in their monopoly of power. Successive purges have left few Iraqi Communists in government employ; and the pro-Soviet Communist Party, like the pro-Chinese one, is given little rope. None of this stops the Ba'athist régime from grasping Soviet bloc aid on its ostensibly advantageous terms with both hands, cultivating the cosiest public relations with the donors and lavishing them with eulogies so fulsome that even Ulbricht must wince. But fundamentally the order of priorities in the nomenclature of the Arab Socialist Ba'ath Party of Iraq is clear: it is Iraqi first, a Party (seeking to preserve power) second, Arab (in the sense of commitment to Arab causes) third, and socialist (in any sense admissable in Moscow) last if at all.

3. One further introductory point, so obvious that it may by now almost escape notice, is the radical change that has overtaken the Arab world since the June war. Whereas in the previous two decades Arabs not directly involved in the Palestine issue paid little more than lip service to the cause, they are now passionately, perhaps even genuinely, engrossed in it. This mutation, coupled with the emergence of the Palestine resistance movement as a power in its own right and with the Soviet Union's enhanced commitment to it, has given a new dimension to Iraqi/Soviet relations. Nonetheless, every Iraqi leader I speak to seems obsessively concerned to explain away the régime's recent

cultivation of such close politico-economic relations with the bloc (which contrasts with their visible hesitancy when they first came to power). The standard explanation - "What do you expect? You Westerners have left us no option. Anyhow, though we know the dangers, we have not found any hidden strings attached to bloc helpfulness" - may or may not hold water. But the obsessive need to justify themselves strikes me as both genuine and significant. of what?

4. So much by way of prologue. I now turn to the situation on the ground and will examine the current state of bloc relationships with Iraq in the military, economic and political fields, in that order.

Military

5. Iraqi holdings of Soviet bloc equipment in all three services are now such that they are completely dependent on the bloc's continued goodwill for their effectiveness. The situation (which, as far as major items of equipment are concerned, is set out in tabular form in Annex A as accurately as we can manage) may be summarised as follows:

(a) Army In field formations all small arms and soft-skinned vehicles and two-thirds of their armoured vehicles and artillery weapons are now of bloc origin. Although the Iraqi Army retains a preference for the British pattern in respect of most types of regimental establishment, staff training, tactical doctrine and fire procedures, it is now almost totally at the mercy of the Soviet bloc for spares and specialised training to keep itself and its equipment operational. Moreover, the Anglophile tendencies still existing in the higher echelons of the Army are not likely to be reflected lower down, now that training facilities in the United Kingdom are severely curtailed.

(b) *Air Force.* This shows an even greater dependence on *bloc* equipment than does the Army. Six of its eight fighter squadrons and both its bomber squadrons are now *bloc*-equipped, as to a large extent are the three transport squadrons. Of the Force's 126 trainer aircraft, 50 are still of British origin; but most of the British equipment in the Air Force as a whole is obsolescent (popular though the Hunter remains) and is likely to be replaced from *bloc* sources. In the field of training, the *bloc* walk-over is less total. While large numbers go to the U.S.S.R. and Czechoslovakia for air crew training, Pakistan and the U.A.R. participate in this type of training abroad; and there is of course a far greater demand for Royal Air Force courses of all kinds than can be met. Within Iraq, basic flying training is taught by Indian instructors, while a Pakistani mission teaches operational flying.

(c) *Navy.* All the Navy's equipment, save four aged British river gun boats, is of Soviet origin. The establishment is of course of a modest nature, but deliveries are expected soon of more sophisticated Soviet equipment including KO~~L~~MAR missile firing patrol boats. Though the Navy relies heavily on the U.A.R. for training, it may be relevant that there are said to be some 60 Russian naval personnel now in the Basra area. It is generally assumed that the Soviet/Iraq Fisheries Agreement signed in January last, is intended by the former to pave the way for the installation of base facilities of value to the Soviet Navy as well as to contribute to Soviet naval intelligence coverage in the Gulf and beyond.

6. There is evidence enough that the Iraqis are themselves unhappy at the extent of their military dependence on the bloc. Had the West been able to offer competitive prices and credit terms, and in our own case to sanction the release of classified new equipment, and in particular had a settlement been reached with the Iraq Petroleum Company, it is at least probable that the picture would be radically different. For various reasons, including its attitude to the Kurdish "war", the Soviet Union has little interest in improving the efficiency of the Iraqi Armed Forces; and certainly it keeps them on a tight rein for spares. The Iraqis' own awareness of this, coupled with their fundamental preference for Western equipment and training, no doubt explains their periodical shopping expeditions to the West (unsuccessful as these mostly are).

Economic/Commercial

7. Despite the misgivings with which the Ba'athist régime and the Communist countries initially viewed each other, despite continuing Iraqi uncertainties (amongst senior officials and some Ministers) about the merits of relying on Soviet bloc economic assistance, and despite the visible readiness of Iraq to do

business in the broader sense with the West (America and West Germany excluded) if terms are competitive, the last twelve months have seen a steady increase in bloc commercial penetration. In respect of ordinary trade, the bloc share of the Iraqi market has been rising sharply over the last ten years, though it is not yet possible to establish the extent to which this trend has been accelerated since the present régime took over. The bloc's mounting interest in trade was recently exemplified in the scale of their participation in the Baghdad International Fair in October, where the effort put into bloc pavilions outclassed anything attempted by Western countries. What is, however, of much greater significance is the series of major contractual agreements recently signed with bloc countries. (A full list is enclosed as Annex B). These may be grouped in three categories:

(a) Agreements for the supply of plant, machinery and equipment, itself of an innocent nature but on terms so favourable that even bloc representatives have described them to us as "political". This is of course not a new departure, but a revival of the favour shown to Iraq in Qasem's day, when the Iraq/U.S.S.R. loan agreements of 1959 set in train a number of projects, the most important of which were a drug factory at Samarra, a textile factory at Kut and a large industrial complex costing ID. 23million at Iskanderiyah near Baghdad. The first initiative in this field shown by the U.S.S.R. since the present régime came to power was the provision early in 1969 of about £12 millions worth of earth-moving equipment, the cost being repayable over ten years at 2½%. The negotiations of loans from Czechoslovakia (£12 millions for railway development) and Bulgaria (£7 millions for land reclamation and other projects) were reported in the press in February and June. The former, at least, seems to have run into the sand but both confirmed the new tendency. In June this year the GDR, evidently as part of the price of recognition by Iraq, volunteered a £35 million loan on similar interests rates for machinery, plant and equipment for industrial projects. Repayment of this loan is stated to be 70% in Iraq crude oil from the Iraq National Oil Company and the remainder in the products of projects executed under the agreement. This easy credit policy is paralleled in the field of smaller provision contracts, where there is evidence of the Iraqis being prepared to manipulate tender procedures in the expectation that bloc tenderers will cut their prices under pressure without regard for commercial considerations.

(b) Agreements designed to satisfy the obsessive Iraqi desire for "direct exploitation" of national oil and mineral resources. The first of these was the agreement in May 1969 with Poland for the "direct exploitation" of the Mishraq sulphur field. This was followed by a series of agreements intended to make possible direct exploitation of oil in areas expropriated from the Iraq Petroleum Company and placed under the responsibility of the

not working

Iraqi National Oil Company (INOC) by the notorious Laws 80 and 97. The series began with the June 1969 agreement with Machinoexport for contractual assistance worth £30 million to INOC in the areas concerned and the July agreement with the Soviet Government for a £26½ million loan mainly for use in the oil industry, exploitation of the proved North Rumaila field being expressly mentioned in the text. (Machinoexport's surveyors, etc, are already active on the ground.) These were followed by two agreements with Hungary, one (in October) for the drilling of four wells in North Rumaila, the other (in December) for the provision of equipment and services to INOC worth some £5.4 million; and by an agreement with Czechoslovakia for the construction of a refinery at Basra costing about £20 million (agreement having also been reached with a Spanish concern on the erection of a factory to manufacture spiral pipe, apparently for the pipeline from the North Rumaila field to the ocean terminal). All these deals are declared to be potentially re-payable in Iraqi oil. Meanwhile, discussions have been taking place with Czechoslovakia, Hungary and perhaps other Eastern European countries over the supply of future Iraqi crude oil to the proposed Rijeka pipeline.

(c) The Fisheries Agreement mentioned in paragraph 5(c) falls into the third category (and is as yet the only example) of projects initiated by the bloc for politico-strategic ends of their own quite distinct from their local economic value.

Political

8. Apart from the general political by-product of their initiatives in the military and economic fields (and of course of their championship

of the Arab cause in Palestine) the bloc's most conspicuous specific gain has been in securing Iraqi recognition last April of East Germany, (direct relations with Bonn having been severed since 1965). They may also have had a hand in Iraq's progressive declarations of support for National Liberation Movements in Vietnam, Eritrea, Oman, etc. Secondly, having satisfied themselves of the emotional dependence of the Iraqi Ba'ath, they have given public recognition and form to this new relationship by promoting a flood of official delegations to and from Iraq and by signing a plethora of cultural and technical agreements with it. In the last six months of 1969, 37 delegations from Iraq to the bloc and 17 in the opposite direction have been recorded, many of them at ministerial level. And during 1969, some 18 "cooperation" agreements of one cultural or technical sort or another have been announced, though ratification seems a trifle haphazard. Whether or not this traffic pays the bloc much of a material dividend, the 7 moral dividend is substantial. Not only do Iraqi publicity media (all of course State-controlled) resound with eulogies of Socialist goodwill, but some at least of the continuous vilifications of the West in which these media indulge are certainly inspired by bloc agencies. No criticism of bloc behaviour ever appears in them: even the invasion of Czechoslovakia received official "approval": articles in the British press condemning it have been cut by the Iraqi censors. As regards the physical presence of bloc representatives (other than diplomats), the Soviet Chargé d'Affaires has told an informant that there are now some 1500

Soviet experts at large in the country; the Czechoslovak Ambassador speaks of some 70 Czechs; the Hungarian tells me he expects 60 shortly from his country in North Rumaila. The GDR may well be coming up on the wing: certainly there is a peculiar sympathy between the GDR and Iraq - perhaps because each of them within its own *bloc* enjoys the freedom of irresponsibility on major issues. (General Ammash, on his last visit to East Berlin, breathtakingly described the two countries as "twin bastions of liberty".)

Implications

9. What does all this add up to? Does the improved position acquired by the Soviet *bloc* in the last twelve months amount to a stranglehold? Put the other way round, has Iraq passed the point of no return along the road to Moscow? There are certain *caveats* which should first be entered. *Firstly*, this is not the way present leaders of the Iraqi Ba'ath (much less the mass of the people) view things. They never tire of assuring westerners such as myself that Communism is not for them and that their close alignment with the *bloc* is a tactical necessity imposed on them by circumstances and reversible at will. Some at least of these protestations I would accept as genuine, not least those of Saddam Hussain, the Party's leading strategist, reported in my letter of the 20th of December to Mr. Tripp. *Secondly*, the Soviet commitment to Iraq is certainly not as far-reaching nor as well-established as it is, for example, to the U.A.R. and Syria. The *bloc*'s financial investment in Iraq, even on a *per capita* basis, is and looks like remaining very much smaller. Moreover, it is not perhaps widely recognised that in Iraq's case there are no Soviet "advisers" at work in Departments of State, not even in

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the Armed Forces. Indeed, it would be true to say that the Iraqis as a people resent domination from outside in a greater measure than other Arab countries - and that the bloc knows it. Thirdly, (a feature again not paralleled in the U.A.R. and Syria) the bloc may well hesitate before wedding itself to the Sunni minority which in one costume or another has hitherto dominated this fractious republic. In the long run, the bloc may calculate, the Shi'ite majority must claim its rights and will be unlikely to view with favour outsiders who have buttressed in too kindly a manner the oppressive rule of successive Sunni régimes. Islam, though the West has been far too ready in the past to regard it as a bulwark against Communism, plays a potent part in the internal disunity of Iraq, and the Soviet bloc may well be chary of being one day charged with having supported a minority sect against the oppressed majority. Nor of course are the Sunnis themselves cohesive; and the Soviet Union will not have forgotten how it burned its fingers in Qasem's time. Fourthly, Iraqi respect for the Chinese alternative is not negligible; and the régime is not disposed to take sides openly in the great confrontation.

10. Such considerations as these certainly affect the degree of vehemence with which the Soviet bloc is disposed to press its suit with Ba'athist Iraq. Nonetheless, they can be reasonably satisfied with the results of their penetration to date, which can be summarised as follows:

(a) Their military stranglehold is almost complete and can only be released by a counter-effort on a scale which the West, as things are, is not disposed to mount.

/(b)

(b) In the field of economic initiative, the bloc's gains are political rather than commercial. Firstly, the bloc's reputation as Iraq's main supplier of development funds, which was acquired 10 year's ago but had subsequently been allowed to wither, has been re-established. Secondly, the bloc has acquired especial merit by encouraging Iraq to look forward to direct exploitation of its own oil wealth and to the possibility of direct marketing of the product. If the Iraq Petroleum Company's current negotiations for a settlement prove abortive, Iraq's dependence on the bloc in this field will be consummated. Thirdly, the bloc is now in a measurably stronger position than it was before the Ba'ath seized power to pursue its purpose of eradicating Western influences inside Iraq and also further South.

(c) In terms of public postures the bloc need have no fear of this régime modifying its devotion as long as their own Palestine policy does not go sour on them (and attitudes in the West are unchanged). Their hope, as far as this part of the Arab world is concerned, is no doubt to keep this policy in play long enough to advance the cause of Marxist revolution in the remaining outposts of Arab conservatism before any reaction sets in. The continuation in power in

Iraq of a narrowly-based clique of reasonably left-wing complexion, depending on the bloc's arms supplies for its survival, is probably good enough for their purposes - and the less secure it feels, the better for the bloc.

Conclusion

11. In this review of the positional advantages acquired in Iraq by the Soviet bloc I have made no attempt to compare them with those still held by Western Europe and by the United Kingdom in particular. These are by no means negligible: indeed they are greater in some solid respects than those of the bloc. I believe that if we and our friends were minded to exploit these advantages before they dwindle it would not be impossible to pull Ba'athist Iraq back into a position at least of non-alignment as between East and West. The price, perhaps, would be higher in psychological, than in material, terms. It is not for me to say whether our priorities, or those of the West as a whole, are such as to make the effort worth considering; but what cannot be gainsaid is that the longer we wash our hands of it, the scummier will the water in this Mesopotamian basin become.

12. I am sending copies of this despatch to Her Majesty's Representatives in Aden, Amman, Beirut, Cairo, Jedda, Khartoum, Kuwait, Tehran, Tel Aviv, Tripoli, Paris, Washington, Moscow, Prague, Budapest, to the Political Resident, Bahrain, the United Kingdom Delegation to NATO and the United Kingdom Mission to the United Nations.

I have the honour to be,
Sir,
Your obedient Servant

ANNEX A TO DESPATCH

SOURCE OF IRAQI ARMED FORCES' EQUIPMENT

ARMY	Soviet Bloc	Other Sources	Uncertain
Armour (including APCs) (a)	16 (64%)	3 (12%)	6 (24%)
Artillery (a)	35 (65%)	13 (24%)	About 4 to 6 (11%)

(a) Expressed in regiments/battalions.

Note: Small arms and soft-skinned vehicles in all field formations are of Soviet bloc origin.

AIR FORCE (b)	Soviet Bloc	Other Sources	Uncertain
Fighter/Strike	124	37 (UK)	
Bomber	19		
Transport			
Helicopters	36	12 (UK)	
Other	27	8 (UK)	
Trainer	72	54 (UK)	

(b) Expressed in aircraft.

NAVY	Soviet Bloc	Other Sources	Uncertain
Coastal Excorts	3		
Fast Patrol Boats	12		
Minesweepers	2		
Torpedo Recovery Vessels	2		
River Gunboats		4 (UK) (Aged)	
In-Shore Patrol Craft	2		
Small Fast Craft for River Patrol	6		
Diving Tenders	2		
Fire Fighting Vessel	1		

Future Deliveries

By 1971, the Iraqi Navy is expected to have received 4 KOMAR missile-firing FPBs, 4 Coastal Minesweepers (possible SASHA Class), together with coastal radar and coastal defence equipment from the Soviet Union.

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ANNEX B TO DESPATCH

MAJOR LOAN AGREEMENTS (OLD AND NEW) WITH BLOC COUNTRIES

Serial	Year	Country	Sum (£m.)	Interest	Purpose
1	1959-60	USSR	220	2½%	Surveys, equipment and machinery.
2		USSR	70	2½%	Supplementary to 1959 agreement.
3		Czechoslovakia	12	2½%	Factories and industrial equipment. (Loan not used but under re-negotiation in 1969).
4	1969	USSR	12	2½%	Earth-moving equipment. (The made available may have been an unused portion of Serial 1).
5		USSR	30	3%	Direct development of oil fields and machinery, equipment, etc.
6			26½	2½%	North Rumaila oilfield, dams, river navigation, natural gas projects, etc.
7		GDR	35	2½%	Machinery, equipment, plant and technical "know-how"
8		Czechoslovakia	20	Not announced	Basra Refinery
9		Hungary	5.35	3%	Drilling 4 oil wells in North Rumaila and assistance in developing Iraq oil resources.

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P.H. N.E.D.

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Mr Malcolm
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Mr Makinson Spoken. 16/1

Pl speak on mechanics

~~Mr. Tripp~~

15.1.

Soviet Penetration of Ba'athist Iraq

Mr. Balfour-Paul's interesting despatch provides a much needed analysis of the Soviet effort in Iraq, and the advantages gained by it. It has been all too easy to speak in general terms of Iraq "falling into Russian orbit". The despatch raises one or two new issues and one substantial old one - what the West could do to snatch the brand from the burning.

2. I recommend that the despatch be printed and given Middle East and Europe Regional plus Whitehall distribution. I have prepared a copy for printing and attach form LR 20. I do not recommend a separate advance circulation, or priority printing.

3. As the despatch if only by implication, revives policy issues, I submit a draft blue minute to accompany a separate copy (quasi advance) to Mr. Arthur.

4. I submit a draft interim acknowledgment to HM Ambassador.

Seen. 15.1.

D. J. Makinson.

(D. J. Makinson)
Near Eastern Department,
13 January, 1970.

p.a. 19/1

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Reference with NEQ 2/1 f.2

Soviet bloc penetration of Ba'athist Iraq.

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EESD Mr Mallaby
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~~AA~~ Exp. P.D. para 7. RB 28/1
DTSD para 5. JRK. 29/1.
FRAD Grove 3/2
→Research Dept para 9. The Sunnis form 37% of the population according to an estimate in 1962 - and the Shi'is 53% - a mainly tribal majority. M Diggens 6/2.
I.R.D. AM 12/2

Th Pa.
19/2

NED: This is an excellent despatch. I hope copies will go to Mr Summerscale and to the DIS + DEI. 20/1

Most interesting. Much of the conclusion will apply with equal force, *mutatis mutandis*, to the UAR. 21/1.

/I

Ed (5084)

Yes

I take it that this excellent despatch is being printed.

26/1.

If it is in the bloc's interest that the régime should feel insecure (para. 10(c)), it may be in our interest that the régime should feel confident. Certainly only a confident régime could implement an agreement with IPC.

27/1

Security considerations (para 6] also inhibit training of military personnel in U.K.

MOD (DS 13] and Mintech (EIR 1.) will be interested to see this very clear despatch.

29/1.

FILE

CONFIDENTIAL

FOREIGN AND COMMONWEALTH OFFICE **DIPLOMATIC REPORT No. 66/70**

NEQ 2/1 *Europe/North Africa and Middle East Distribution*

IRAQ
20 January, 1970

SOVIET BLOC PENETRATION OF BA'ATHIST IRAQ

The British Ambassador in Iraq to the
Secretary of State for Foreign and Commonwealth Affairs
(Received 20 January)

SUMMARY

Introductory assessment of Soviet *bloc* intentions towards Ba'athist Iraq and of Ba'athist attitudes towards the *bloc*. Mutual suspicions survive but hardly affect the visible policies of either side. (Paragraphs 1–2.)

2. Effect of Soviet support for the Arab cause in Palestine. (Paragraph 3.)

3. Recent developments on the ground:

(*a*) *Military* dependence on the USSR is now almost total. (Paragraphs 5–6.)

(*b*) In the *economic* field the *bloc* has been pursuing an aggressive trade policy, has restored its reputation as supplier of development credits on easy terms, has acquired merit by encouraging Iraq's hopes of exploiting its own mineral wealth, and has achieved a strategic gain with its Fisheries Agreement. (Paragraph 7.)

(*c*) *Politically*, the *bloc* has secured Iraqi recognition of the GDR, promoted a flood of visits in both directions and "co-operation" agreements of various kinds, and secured the abject allegiance of Iraqi publicity media. *Bloc* experts in Iraq in fair numbers. (Paragraph 8.)

4. Does all this mean that Ba'athist Iraq's progress towards Moscow has passed the point of no return? Certain reservations, both of principle and practice, on both sides. None the less, the *bloc* can be fairly satisfied with its success to date. (Paragraph 9.)

5. It would still be possible to pull Iraq back into a middle path if the West thought it worth the effort. (Paragraph 10.)

(Confidential) *Baghdad,*

Sir, *3 January, 1970.*

Any attempt to assess at the receiving end (so to speak) the success so far achieved by the Soviet *bloc* in the penetration of Ba'athist Iraq must beg one basic question. This concerns the nature of the *bloc's*, in effect the Soviet Union's, own intentions—a subject on which I am hardly qualified to pronounce. But

IRAQ 11

since a guess at their policy has to be made in order to judge how well they are getting along with it, the following in brief is mine. The Soviet Government, I would say, have no desire at this stage to press for the Communisation of Iraq. They remain for good historical reasons highly suspicious of the Iraqi Ba'ath, but are no more concerned than elsewhere in Arab countries for the fortunes of the local Communist Party. They see the course of Middle East history (at least as long as the Arab/Israel problem is unsolved) moving by itself in their favour *vis-à-vis* the West, and while of course they are happy to give it a fair wind, they see no advantage in forcing the pace. In Iraq itself, apart from extending their influence in general terms, they are specifically concerned to disrupt the West's oil monopoly, acquire warm-water port facilities, and exploit their enhanced position with the aim of encircling Iran and promoting the overthrow of that and other " reactionary " régimes. For all of this the continuation in power in Iraq of a reasonably radical Ba'athist clique, and the cultivation of a patron/client relationship with it, will serve their present purposes well enough.

2. If this or something like it represents the Soviet attitude towards Ba'athist Iraq, what is the attitude of Ba'athist Iraq towards Communism (in philosophical terms) and towards the Communist *bloc* (in political ones)? The writings of Aflaq and other founding fathers, though favouring closer relations with Socialist States, at least make it clear that Communism cannot be the Arab road to Socialism; and the spiritual element in Aflaq's philosophy is of course from a different German stable than Marx. Whatever may be true of the neo-Ba'ath in Syria, Aflaq remains an influential figure amongst Iraqi Ba'athists; and though the pure milk of his doctrine has in practice been adulterated here too, the party continues to regard Ba'athism as a complete political philosophy in its own right. Even the tendency amongst its younger exponents to veer further towards Communism than either Aflaq or his maturer Iraqi disciples would wish is more a function of Iraq's tactical alignment with the Eastern *bloc* and its political alienation from the United States than of ideological conviction or understanding. Within its own borders Iraq's Ba'athists (despite occasional genuflexions towards National Frontery) remain determined to prevent other parties sharing significantly in their monopoly of power. Successive purges have left few Iraqi Communists in Government employ; and the pro-Soviet Communist Party, like the pro-Chinese one, is given little rope. None of this stops the Ba'athist régime from grasping Soviet *bloc* aid on its ostensibly advantageous terms with both hands, cultivating the cosiest public relations with the donors and lavishing them with eulogies so fulsome that even Ulbricht must wince. But fundamentally the order of priorities in the nomenclature of the Arab Socialist Ba'ath Party of Iraq is clear: it is Iraqi first, a party (seeking to preserve power) second, Arab (in the sense of commitment to Arab causes) third, and Socialist (in any sense admissible in Moscow) last if at all.

3. One further introductory point, so obvious that it may by now almost escape notice, is the radical change that has overtaken the Arab world since the June war. Whereas in the previous two decades Arabs not directly involved in the Palestine issue paid little more than lip service to the cause, they are now passionately, perhaps even genuinely, engrossed in it. This mutation, coupled with the emergency of the Palestine resistance movement as a power in its own right and with the Soviet Union's enhanced commitment to it, has given a new dimension to Iraqi/Soviet relations. None the less, every Iraqi leader I speak to seems obsessively concerned to explain away the régime's recent cultivation of such close politico-economic relations with the *bloc* (which contrasts with their visible hesitancy when they first came to power). The standard explanation—" What do you expect? You Westerners have left us no option. Anyhow, though

we know the dangers, we have not found any hidden strings attached to *bloc* helpfulness "—may or may not hold water. But the obsessive need to justify themselves strikes me as both genuine and significant.

4. So much by way of prologue. I now turn to the situation on the ground and will examine the current state of *bloc* relationships with Iraq in the military, economic and political fields, in that order.

Military

5. Iraqi holdings of Soviet *bloc* equipment in all three services are now such that they are completely dependent on the *bloc's* continued goodwill for their effectiveness. The situation (which, as far as major items of equipment are concerned, is set out in tabular form in Annex A as accurately as we can manage) may be summarised as follows:

(*a*) *Army.* In field formations all small arms and soft-skinned vehicles and two-thirds of their armoured vehicles and artillery weapons are now of *bloc* origin. Although the Iraqi Army retains a preference for the British pattern in respect of most types of regimental establishment, staff training, tactical doctrine and fire procedures, it is now almost totally at the mercy of the Soviet *bloc* for spares and specialised training to keep itself and its equipment operational. Moreover, the anglophile tendencies still existing in the higher echelons of the army are not likely to be reflected lower down, now that training facilities in the United Kingdom are severely curtailed.

(*b*) *Air force.* This shows an even greater dependence on *bloc* equipment than does the army. Six of its eight fighter squadrons and both its bomber squadrons are now *bloc*-equipped, as to a large extent are the three transport squadrons. Of the force's 126 trainer aircraft, 50 are still of British origin; but most of the British equipment in the air force as a whole is obsolescent (popular though the Hunter remains) and is likely to be replaced from *bloc* sources. In the field of training, the *bloc* walk-over is less total. While large numbers go to the USSR and Czechoslovakia for air-crew training, Pakistan and the UAR participate in this type of training abroad; and there is of course a far greater demand for Royal Air Force courses of all kinds than can be met. Within Iraq, basic flying training is taught by Indian instructors, while a Pakistani mission teaches operational flying.

(*c*) *Navy.* All the navy's equipment, save four aged British river gunboats, is of Soviet origin. The establishment is of course of a modest nature, but deliveries are expected soon of more sophisticated Soviet equipment including KOLMAR missile-firing patrol boats. Though the navy relies heavily on the UAR for training, it may be relevant that there are said to be some 60 Russian naval personnel now in the Basra area. It is generally assumed that the Soviet/Iraq Fisheries Agreement signed in January last, is intended by the former to pave the way for the installation of base facilities of value to the Soviet Navy as well as to contribute to Soviet naval intelligence coverage in the Gulf and beyond.

6. There is evidence enough that the Iraqis are themselves unhappy at the extent of their military dependence on the *bloc*. Had the West been able to offer competitive prices and credit terms, and in our own case to sanction the release of classified new equipment, and in particular had a settlement been reached with the Iraq Petroleum Company, it is at least probable that the picture would be radically different. For various reasons, including its attitude to the Kurdish " war ", the Soviet Union has little interest in improving the efficiency of the Iraqi Armed Forces;

and certainly it keeps them on a tight rein for spares. The Iraqis' own awareness of this, coupled with their fundamental preference for Western equipment and training, no doubt explains their periodical shopping expeditions to the West (unsuccessful as these mostly are).

Economic/Commercial

7. Despite the misgivings with which the Ba'athist régime and the Communist countries initially viewed each other, despite continuing Iraqi uncertainties (amongst senior officials and some Ministers) about the merits of relying on Soviet *bloc* economic assistance, and despite the visible readiness of Iraq to do business in the broader sense with the West (America and West Germany excluded) if terms are competitive, the last 12 months have seen a steady increase in *bloc* commercial penetration. In respect of ordinary trade, the *bloc* share of the Iraqi market has been rising sharply over the last 10 years, though it is not yet possible to establish the extent to which this trend has been accelerated since the present régime took over. The *bloc's* mounting interest in trade was recently exemplified in the scale of their participation in the Baghdad International Fair in October, where the effort put into *bloc* pavilions outclassed anything attempted by Western countries. What is, however, of much greater significance is the series of major contractual agreements recently signed with *bloc* countries. (A full list is enclosed as Annex B.) These may be grouped in three categories:

(*a*) Agreements for the supply of plant, machinery and equipment, itself of an innocent nature but on terms so favourable that even *bloc* representatives have described them to us as "political". This is of course not a new departure, but a revival of the favour shown to Iraq in Qasem's day, when the Iraq/USSR loan agreements of 1959 set in train a number of projects, the most important of which were a drug factory at Samarra, a textile factory at Kut and a large industrial complex costing ID23 million at Iskanderiyah near Baghdad. The first initiative in this field shown by the USSR since the present régime came to power was the provision early in 1969 of about £12 million worth of earth-moving equipment, the cost being repayable over 10 years at 2½ per cent. The negotiations of loans from Czechoslovakia (£12 million for railway development) and Bulgaria (£7 million for land reclamation and other projects) were reported in the Press in February and June. The former, at least, seems to have run into the sand but both confirmed the new tendency. In June this year the GDR, evidently as part of the price of recognition by Iraq, volunteered a £35 million loan on similar interest rates for machinery, plant and equipment for industrial projects. Repayment of this loan is stated to be 70 per cent in Iraq crude oil from the Iraq National Oil Company and the remainder in the products of projects executed under the agreement. This easy credit policy is paralleled in the field of smaller provision contracts, where there is evidence of the Iraqis being prepared to manipulate tender procedures in the expectation that *bloc* tenderers will cut their prices under pressure without regard for commercial considerations.

(*b*) Agreements designed to satisfy the obsessive Iraqi desire for "direct exploitation" of national oil and mineral resources. The first of these was the agreement in May 1969 with Poland for the "direct exploitation" of the Mishraq sulphur field. This was followed by a series of agreements intended to make possible direct exploitation of oil in areas expropriated from the Iraq Petroleum Company and placed under the responsibility of the Iraqi National Oil Company (INOC) by the notorious Laws 80 and 97. The series began with the June 1969 agreement with Machinoexport for contractual assistance worth £30 million to INOC in the areas concerned and the July agreement with the Soviet Government for a £26½ million loan mainly for use in the oil industry, exploitation of the proved North Rumaila field being expressly mentioned in the text. (Machinoexport's surveyors, etc., are already active on the ground.) These were followed by two agreements with Hungary, one (in October) for the drilling of four wells in North Rumaila, the other (in December) for the provision of equipment and services to INOC worth some £5·4 million; and by an agreement with Czechoslovakia for the construction of a refinery at Basra costing about £20 million (agreement having also been reached with a Spanish concern on the erection of a factory to manufacture spiral pipe, apparently for the pipeline from the North Rumaila field to the ocean terminal). All these deals are declared to be potentially repayable in Iraqi oil. Meanwhile, discussions have been taking place with Czechoslovakia, Hungary and perhaps other Eastern European countries over the supply of future Iraqi crude oil to the proposed Rijeka pipeline.

(*c*) The Fisheries Agreement mentioned in paragraph 5 (*c*) falls into the third category (and is as yet the only example) of projects initiated by the *bloc* for politico-strategic ends of their own quite distinct from their local economic value.

Political

8. Apart from the general political by-product of their initiatives in the military and economic fields (and of course of their championship of the Arab cause in Palestine) the *bloc's* most conspicuous specific gain has been in securing Iraqi recognition last April of East Germany (direct relations with Bonn having been severed since 1965). They may also have had a hand in Iraq's progressive declarations of support for National Liberation Movements in Viet-Nam, Eritrea, Oman, etc. Secondly, having satisfied themselves of the emotional dependence of the Iraqi Ba'ath, they have given public recognition and form to this new relationship by promoting a flood of official delegations to and from Iraq and by signing a plethora of cultural and technical agreements with it. In the last six months of 1969, 37 delegations from Iraq to the *bloc* and 17 in the opposite direction have been recorded, many of them at Ministerial level. And during 1969, some 18 " co-operation " agreements of one cultural or technical sort or another have been announced, though ratification seems a trifle haphazard. Whether or not this traffic pays the *bloc* much of a material dividend, the moral dividend is substantial. Not only do Iraqi publicity media (all of course State-controlled) resound with eulogies of Socialist goodwill, but some at least of the continuous vilifications of the West in which these media indulge are certainly inspired by *bloc* agencies. No criticism of *bloc* behaviour ever appears in them: even the invasion of Czechoslovakia received official " approval ": articles in the British Press condemning it have been cut by the Iraqi censors. As regards the physical presence of *bloc* representatives (other than diplomats), the Soviet Chargé d'Affaires has told an informant that there are now some 1,500 Soviet experts at large in the country; the Czechoslovak Ambassador speaks of some 70 Czechs; the Hungarian tells me he expects 60 shortly from his country in North Rumaila. The GDR may well be coming up on the wing: certainly there is a peculiar sympathy between the GDR and Iraq—perhaps because each of them within its own *bloc* enjoys the freedom of irresponsibility on major issues. (General Ammash, on his last visit to East Berlin, breathtakingly described the two countries as " twin bastions of liberty ".)

Implications

9. What does all this add up to? Does the improved position acquired by the Soviet *bloc* in the last 12 months amount to a stranglehold? Put the other way round, has Iraq passed the point of no return along the road to Moscow? There are certain *caveats* which should first be entered. Firstly, this is not the way present leaders of the Iraqi Ba'ath (much less the mass of the people) view things. They never tire of assuring Westerners such as myself that Communism is not for them and that their close alignment with the *bloc* is a tactical necessity imposed on them by circumstances and reversible at will. Some at least of these protestations I would accept as genuine, not least those of Saddam Hussain, the party's leading strategist, reported in my letter of 20 December to Mr. Tripp. Secondly, the Soviet commitment to Iraq is certainly not as far-reaching nor as well-established as it is, for example, to the UAR and Syria. The *bloc's* financial investment in Iraq, even on a *per capita* basis, is and looks like remaining very much smaller. Moreover, it is not perhaps widely recognised that in Iraq's case there are no Soviet " advisers " at work in Departments of State, not even in the armed forces. Indeed, it would be true to say that the Iraqis as a people resent domination from outside in a greater measure than other Arab countries—and that the *bloc* knows it. Thirdly, (a feature again not paralleled in the UAR and Syria) the *bloc* may well hesitate before wedding itself to the Sunni minority which in one costume or another has hitherto dominated this fractious Republic. In the long run, the *bloc* may calculate, the Shi'ite majority must claim its rights and will be unlikely to view with favour outsiders who have buttressed in too kindly a manner the oppressive rule of successive Sunni régimes. Islam, though the West has been far too ready in the past to regard it as a bulwark against Communism, plays a potent part in the internal disunity of Iraq, and the Soviet *bloc* may well be chary of being one day charged with having supported a minority sect against the oppressed majority. Nor of course are the Sunnis themselves cohesive; and the Soviet Union will not have forgotten how it burned its fingers in Qasem's time. Fourthly, Iraqi respect for the Chinese alternative is not negligible; and the régime is not disposed to take sides openly in the great confrontation.

10. Such considerations as these certainly affect the degree of vehemence with which the Soviet *bloc* is disposed to press its suit with Ba'athist Iraq. None the less, they can be reasonably satisfied with the results of their penetration to date, which can be summarised as follows:

(*a*) Their military stranglehold is almost complete and can only be released by a counter-effort on a scale which the West, as things are, is not disposed to mount.

(*b*) In the field of economic initiative, the *bloc's* gains are political rather than commercial. Firstly, the *bloc's* reputation as Iraq's main supplier of development funds, which was acquired 10 years' ago but had subsequently been allowed to wither; has been re-established. Secondly, the *bloc* has acquired especial merit by encouraging Iraq to look forward to direct exploitation of its own oil wealth and to the possibility of direct marketing of the product. If the Iraq Petroleum Company's current negotiations for a settlement prove abortive, Iraq's dependence on the *bloc* in this field will be consummated. Thirdly, the *bloc* is now in a measurably stronger position than it was before the Ba'ath seized power to pursue its purpose of eradicating Western influences inside Iraq and also further south.

(*c*) In terms of public postures the *bloc* need have no fear of this régime modifying its devotion as long as their own Palestine policy does not go sour on them (and attitudes in the West are unchanged). Their hope, as far as this part of the Arab world is concerned, is no doubt to keep this policy in play long enough to advance the cause of Marxist revolution in the remaining outposts of Arab conservatism before any reaction sets in. The continuation in power in Iraq of a narrowly-based clique of reasonably Left-wing complexion, depending on the *bloc's* arms supplies for its survival, is probably good enough for their purposes—and the less secure it feels, the better for the *bloc*.

Conclusion

11. In this review of the positional advantages acquired in Iraq by the Soviet *bloc* I have made no attempt to compare them with those still held by Western Europe and by the United Kingdom in particular. These are by no means negligible: indeed they are greater in some solid respects than those of the *bloc*. I believe that if we and our friends were minded to exploit these advantages before they dwindle it would not be impossible to pull Ba'athist Iraq back into a position at least of non-alignment as between East and West. The price, perhaps, would be higher in psychological, than in material, terms. It is not for me to say whether our priorities, or those of the West as a whole, are such as to make the effort worth considering; but what cannot be gainsaid is that the longer we wash our hands of it, the scummier will the water in this Mesopotamian basin become.

12. I am sending copies of this despatch to Her Majesty's Representatives in Aden, Amman, Beirut, Cairo, Jedda, Khartoum, Kuwait, Tehran, Tel Aviv, Tripoli, Paris, Washington, Moscow, Prague, Budapest, to the Political Resident, Bahrain, the United Kingdom Delegation to NATO and the United Kingdom Mission to the United Nations.

I have, etc.,

H. G. BALFOUR PAUL.

ANNEX A

SOURCE OF IRAQI ARMED FORCES' EQUIPMENT

	Soviet bloc	*Other sources*	*Uncertain*
Army			
Armour (including APCs)*	16 (64 per cent)	3 (12 per cent)	6 (24 per cent)
Artillery*	35 (65 per cent)	13 (24 per cent)	About 4–6 (11 per cent)

* Expressed in regiments/battalions.

Note: Small arms and soft-skinned vehicles in all field formations are of Soviet *bloc* origin.

	Soviet bloc	*Other sources*	*Uncertain*
Air Force†			
Fighter/Strike	124	37 (UK)	—
Bomber	19	—	—
Transport			
Helicopters	36	12 (UK)	—
Other	27	8 (UK)	—
Trainer	72	54 (UK)	—

† Expressed in aircraft.

	Soviet bloc	*Other sources*	*Uncertain*
Navy			
Coastal escorts	3	—	—
Fast patrol boats	12	—	—
Minesweepers	2	—	—
Torpedo recovery vessels	2	—	—
River gunboats	—	4 (UK) (aged)	—
In-shore patrol craft	2	—	—
Small fast craft for river patrol ...	6	—	—
Diving tenders	2	—	—
Fire fighting vessel	1	—	—

Future deliveries

By 1971, the Iraqi Navy is expected to have received 4 KOMAR missile-firing FPBs, 4 coastal minesweepers (possible SASHA Class), together with coastal radar and coastal defence equipment from the Soviet Union.

ANNEX B

MAJOR LOAN AGREEMENTS (OLD AND NEW) WITH BLOC COUNTRIES

Serial	*Year*	*Country*	*Sum* (£ million)	*Interest* (Per cent)	*Purpose*
1	1959-60	USSR	220	2½	Surveys, equipment and machinery
2	—	USSR	70	2½	Supplementary to 1959 agreement
3	—	Czechoslovakia	12	2½	Factories and industrial equipment. (Loan not used but under re-negotiation in 1969)
4	1969	USSR	12	2½	Earth-moving equipment. (The make available may have been an unused portion of Serial 1)
5	—	USSR	30	3	Direct development of oil fields and machinery, equipment, etc.
6	—	—	26·5	2½	North Rumaila oilfield, dams, river navigation, natural gas projects, etc.
7	—	GDR	35	2½	Machinery, equipment, plant and technical " know-how "
8	—	Czechoslovakia	20	Not announced	Basra Refinery
9	—	Hungary	5·35	3	Drilling four oil wells in North Rumaila and assistance in developing Iraq oil resources

With the compliments of

HER BRITANNIC MAJESTY'S
AMBASSADOR

Please distribute as shown in the last paragraph.

BRITISH EMBASSY
BAGHDAD

④

(NEQ 2/1)

16 January, 1970.

Soviet Bloc penetration of Ba'athist Iraq ②

Many thanks for your despatch of 3 January on this important subject, which will be studied with interest here.

2. We are sending it for printing and are circulating it to the several interested departments for their comments.

3. In due course wi will send you any comments in which we think that you may be interested.

19/1

(J.P. Tripp)

H.E. Mr. H.G. Balfour Paul, CMG,
BAGHDAD

NE ML

⑤

DAILY TELEGRAPH

Cutting dated ......19 JAN 1970........, 19

RECEIVED IN REGISTRY No. 10
21 JAN 1970
NEQ 2/1

FOUR RUSSIAN OIL EXPERTS IN IRAQ

By Our Staff Correspondent in Beirut

Four Russian oil experts yesterday began work with the Iraq National Oil Company in Baghdad a few hours after arriving from Moscow. They are directing surveys for the building of a pipeline from the North Rumeila oil fields to an outlet on the Persian Gulf near Basrah.

The company signed an agreement with Russia in July for financial and technical aid in developing the oil fields. Eventually several hundred Russian engineers and technicians will be employed in the operation.

Mr Makinson

Reg. & P.a.

Iraq/Soviet File.

PMA
21/1.

CONFIDENTIAL

Mr. Arthur

Mh. Hayman

6

Mr. Arthur

Mr. Balfour Paul's Despatch on Soviet Bloc penetration of Ba'athist Iraq

Mr. Balfour Paul has provided an interesting review of Soviet activities and influence in Iraq. He makes five main points:

(a) Iraq is now completely dependent on Soviet goodwill for military equipment.

(b) Commercial credit and aid provided by the USSR have won the Soviet Union political advantage.

(c) Soviet support for the Arab cause costs them little and yields a satisfactory return.

(d) The Arab Socialist Ba'ath Party of Iraq is Iraqi, before everything else.

(e) If the West thought it worth the effort it would still be possible to "pull Iraq back into a middle path".

FLAG A

2. As regards (a) this was examined in August last year, at the request of the PUS. You commented (in your minute of 25 August (paragraph 3)) that the price of countering Soviet influence was (a) a thoroughly pro-Arab policy on Palestine and (b) a settlement of the IPC dispute in a manner favourable to Iraq. Mr. Balfour Paul argues (paragraph 6) that had the West been able to offer competitive prices and credit terms for military equipment; in our own case, sanction the release of classified equipment; and in particular had a settlement been reached with the IPC, it is at least probable that the future would be radically different.

3. In the light of all these considerations it seems unlikely that our relations will improve significantly in the foreseeable future or that we can mitigate to any significant extent Soviet and bloc influences.

4. I have written to thank Mr. Balfour Paul for his despatch.

J P Tripp

(J.P. Tripp)
16 January, 1970.

A depressing conclusion, which I cannot at present escape. But I hope to give some further thought to ME policy soon.
20/1.

CONFIDENTIAL

/I look....

Confidential

I am bound to say that I see very little point in trying to discuss this subject with our Western allies, who have no ideas and little or no influence.

2. I am not even sure on what basis we should discuss the matter with the French, outside the oil context. When the French express their concern about Iraq to us, what is in the back of their minds, I suspect, is that we ought either to press IPC to give way to Iraqi requirements or to understand independent action by ERAP (or perhaps even CFP) to get concessions in the areas expropriated from I.P.C.

3. As far as I can see there are only two ways of combating Soviet influence in Iraq effectively :-

(a) A thoroughly pro-Arab policy on the Palestine question ; and

(b) A settlement of the IPC dispute (see above) in a manner favourable to Iraq.

Neither of these is possible, and all we could do in talks is shake our heads, and perhaps expose ourselves to French and other pressure over (b).

4. I would therefore recommend that we

/should

Confidential.

See how the oil talks (para 8 of Mr. Tripp's submission) go before deciding on further political talks with the French. If after proposing such talks we decided to sell Chieftains to Israel, we should in any case look rather silly, for Soviet (and perhaps also French!) influence would then be given quite a fillip.

E.S. 23/8

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7

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23 JA

~~NEQ 6/603/1~~

BRITISH EMBASSY
BAGHDAD

(2/[illegible])

17 January 1970

Dear Peter,

The Ambassador has asked me to enter a caveat about the number of Soviet experts working in Iraq, which (quoting a remark attributed to the Soviet Chargé), he put at 1,500 in paragraph 8 of his despatch 2/1 of 3 January. NEQ 2/1

2. Trofimov, a Counsellor in the Soviet Embassy, has since told Philip McKearney that the number is only 800, even including wives and children; and the Soviet Chargé himself has now told the Ambassador not only that 1,500 is too high, but that numbers have been decreasing as the construction projects for which many of them were sent have in several cases been completed. He admitted, however, that more would be coming out to work in the oil fields in six to eight months' time.

3. It would be unwise therefore to allow the figure of 1,500 to pass into the scriptures.

Yours,

(J. H. Symons)

P. R. M. Hinchcliffe, Esq.,
Near Eastern Department,
F.C.O.,
London S.W.1.

Reg.

22/1

CONFIDENTIAL

Mr. Arthur ✓

I look forward to your comments on this fairly soon. I would only make two additional points:-

(a) Even in Qasim's time, Soviet activities in Iraq backfired on Moscow because, as Mr. Balfour Paul says, the Iraqis, whatever political colour, are intensely independent and did not relish a Soviet "penetration" any more than they liked Western influences. Moreover, Soviet "experts" in many technical fields tended to be anything but expert in fact.

(b) I am more than ever convinced that if we are to preserve our ties with Iraq, we do not want to make it a Western European business. This may immensely complicate the position for the reasons set out in your minute of 25 August.

2. Let us put up something fairly quickly on this. I am very ready to discuss if you thought that was useful.

P.T.H.

(P.T. Hayman)
21 January, 1970

Mr. Tapp ✓ Action taken

Pl. consider and discuss

GGA 21/1

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27/2 NEQ 3/548/1

(8)

see minute

Mr. Hayman

(HMG policy towards or Anglo-Iraqi Relation

Mr [illegible]

Permanent Under-Secretary
Mr. Luard
Mr. Arthur 7/2.
Mr. Tripp

IRAQ

Discussed today with Mr Hayman, who will arrange a meeting of relevant depts to consider 18.2.

FLAGS A & B HM Ambassador, Baghdad, has sent two despatches (6 December 1969 and 3 January 1970) which together provide an up-to-date picture of Iraq. It is appropriate to examine against their background whether the conclusions reached in FLAG C my paper of 20 July, 1969 are still valid.

2. Mr. Balfour Paul makes the following main points:

(i) Iraq is now completely dependent on Soviet goodwill for military equipment.

(ii) Commercial credit and aid provided by the USSR have won the Soviet Union political advantages.

(iii) Soviet support for the Arab cause costs them little and yields a satisfactory return.

(iv) The Arab Socialist Ba'ath Party of Iraq is Iraqi, before everything else.

(v) If the West thought it worth the effort it would still be possible to "pull Iraq back into a middle path". ||

3. Since the despatch of 3 January the régime have executed at least 51 Iraqis, allegedly in connection with an abortive coup on 21 January (almost certainly instigated by Iran). We had been considering the possibility of including Iraq in the itinerary of a proposed visit to the Middle East by Mr. Luard in February. On general grounds the Department would like Mr. Luard to visit Baghdad. But the executions and the short time available to Mr. Luard rule out a visit on this occasion. In January 1969, by coincidence, the régime hanged several Iraqi Jews, which made us turn down the idea of a visit by Mr. Roberts, then Minister of State in the FCO.

4. The brutality of the régime (which provokes consistently hostile comment in the British press) should not of itself deter us from doing business with Iraq. But is there anything more we could or should be doing to further our own interests?

5. Soviet influence in Iraq has been achieved largely through Russia's thoroughly pro-Arab policy on Palestine. But, as Mr. Balfour Paul points out, Iraq is not penetrated by the USSR to the same extent as Syria or the UAR. In-built Iraqi resistance (e.g. 2 (iv) above) may provide the best defence against further Soviet penetration.

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6. Britain's main interest in Iraq is the IPC. Hopes of a settlement of the Company's dispute with the Iraq Government look like being disappointed. HMG's attitude to the Palestine problem is never likely to be pro-Arab enough to satisfy the Iraqis. Arms sales to Iraq are inhibited by the Arab/Israel dispute, our relations with Iran and Iraq's ambitions towards Kuwait and the Gulf. The presence of Soviet advisers with the Iraqi forces is a further deterrent to the supply of sensitive equipment. We can never therefore hope to compete successfully with the USSR and East Bloc.

7. Mr. Balfour Paul recommends a joint effort with our Western European allies to see if we could construct a "co-ordinated policy" towards Iraq. We examined this in July last and I have reconsidered the conclusions of the Department's paper of 20 July, 1969, in the light of these two despatches, but find no grounds for altering the assessment then made.

8. Our best hope of countering anti-British feeling is in exploiting the pro-Western (often pro-British) sympathies of many Iraqis - what Mr. Balfour Paul calls "a respect for Britain and things British". This echoes the judgement of Sir R. Beaumont, Ambassador at Baghdad in 1966: "The outlook would be jet black were it not for ..... some residual goodwill towards Britain ..... and the hold given to us by widespread knowledge of the English language".....

9. Our means for furthering our interests are modest: through the British Council, especially in meeting the widespread demand for better English teaching; through COMET and trade promotion and the training of Iraqis under ODM arrangements. We should continue to support proposals for exploiting successes in these fields, cultivating our commercial and cultural relations, especially English teaching, both for themselves and, in Sir R. Beaumont's words "as a card of political re-entry" if and when younger elements with a more objective outlook elbow aside the present xenophobic Ba'athist leaders.

(J.P. Tripp)
27 January, 1970.

c.c. Mr. Arthur o/r
Mr. Ellingworth, Oil Dept.

/I agree....

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-2 MAR 1970

Permanent Under-Secretary

Mr. Luard

I agree with Mr. Tripp's comments on the recommendations contained in Mr. Balfour Paul's despatch. I have discussed them with Mr. Tripp.

2. My own strongly held view is that, despite all the difficulties and limitations described in this minute, we should press on as hard as we can with business and British Council activities - making use of Iraq's traditional ties with Britain which will exist for a few years longer while the present generation are influential in the country. In the longer run, as Mr. Balfour Paul says, we might take a joint look with our Western European allies.

3. If these ideas are agreed, I would propose to have a meeting with all the Departments referred to in paragraph 10 of Mr. Balfour Paul's despatch and see if a little bit more can be done. I also recommend that, at the appropriate moment, there should be a visit by Mr. Luard. With the recent hangings, plots,etc., I fear that this is not the moment.

P. Hayman

(P.T. Hayman)
28 January, 1970.

seems to me likely that Iraq will be the spearhead of Russian moves into the gulf after the departure of our troops in 1971. This, in addition to I.P.C, should be the basis for our interest and the spur for our policy. I am not satisfied that we have fully explored the possibilities of action with our W. European allies. I would like to see Iraq on the agenda for the P.M and Herr Brandt.

D M Greenhill
31/1

* /I am

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2 MAR 1970

I am afraid I feel rather sceptical about the possibilities of any effective co-ordination of Western European policies on Iraq. The most direct interest of many of them in the country is commercial and here their interests may conflict. Even on political matters, they will not find it easy to co-ordinate policies: for example, between the present pro-Arab French posture and the policy of the Germans and the Scandinavians, who are more favourable to Israel. Their only common interest will be in keeping the Russians out, and it is not sure that they can do much about this through co-ordination, though they might agree about the value of expanding cultural contacts. But what can be done, can perhaps best be organised in Baghdad, and we might perhaps authorise Mr. Balfour-Paul to see what he can do to arrange consultations with his Western European colleagues there on this question.

2, I also agree we should try to step up British Council activity, and perhaps we could put this to the Council. We might also consider promoting a trade mission one way or the other sometime in the near future. This would at least be some expression of our interest in Iraq.

There was a COMET mission in October
17/2

3. Although we could clearly not send any sophisticated or sensitive military equipment to the Iraqis, I do not see that we are totally prohibited from some military assistance (any more than we are with Libya), if this should be desired. It is just possible that

the Iraqis might welcome some diversification of their sources of arms (they are said to be interested in French Mirages). It might possibly be worth asking Mr. Balfour-Paul to get his Defence Attaché to look into this.

4. I am afraid that, given recent events in Iraq, I feel no inclination at all to pay a visit there in the near future, nor do I think that such a visit would be well regarded by public opinion in this country at present. I hope that those preparing the brief for Mr. Brandt will note the point made by the PUS.

(D.E.T. Luard)
6 February, 1970

P.U.S. Let us speak DMB 9/2

Mr Hayman

/I have....

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I am ready.

Mr. Arthur 17/2.

Mr. Tripp

I have discussed this with the P.U.S. adhering strongly to my view that the possibilities of action with our Western European Allies (particularly the Germans who have no diplomatic representation in Baghdad anyway) are very limited - indeed over the horizon. This point was not raised at the oil talks yesterday. But the P.U.S. would like a reference to this possibility included in any defensive brief that the Department is preparing for the talks with the German Chancellor.

Done

2. Subject to your views, I would like very soon to have a meeting of those concerned in other Departments in Whitehall to see whether there is anything more that we can do for Iraq (paragraph 3 of my minute of 28 January).

3. Please discuss.

P.H.

(P.T. Hayman)
17 February, 1970.

Iraq was subsequently discussed at Anglo-French talks on 16 March 1970, but both sides agreed that there was little the West could do to counter Soviet influence.

WB. 4/10/71.

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Mr [illegible]. p.

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Mary Hawes. Pl discuss. [illegible] 20.2

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- 2 MAR 1970
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~~N[illegible]~~

Mr. Tripp

Whitehall Meeting on Iraq
Departments to be involved, what they now do for Iraq and what they might consider doing

British Council

(a) Present Involvement and Functions

In Baghdad at present one British Council representative (Mr. Springford), one assistant, six locally employed staff. Total cost per year £38,767. English language teaching, supervision of library, processing of students going to United Kingdom (sponsored by Iraqi Ministries of Education and Oil, I.P.C., British Council and private. 727 in 1968/69). Administration of British examinations (e.g., London University) held in Iraq.

(b) Further Involvement to be considered

Increase the number of British based staff (one English language officer and one librarian/general duties officer now being recruited), more money for scholarships, setting up of English Language Institute (already under consideration), extension of library, sponsoring of cultural exchange visits.

Board of Trade

(a) Functions

Boosting of Anglo-Iraqi trade (British exports to Iraq £20m. in 1969, £16m. in 1968). Informing British businessmen about the Iraqi market, liaison with other organisations, e.g., B.N.E.C. and E.C.G.D. with similar interests, sponsoring of visits to United Kingdom by Iraqis with commercial or industrial interests. [illegible] visit of M [illegible]. Iraqi Minister of Municipal & Rural Affairs.

Inward & Outward Trade Missions.

(b) Further Action for Consideration

Promotion of a line of credit for Iraq (already under consideration with E.C.G.D.). More publicity for Iraq in Board of Trade publicity media. Higher level of British participation in the next Baghdad fair.

Ministry of Overseas Development

(a) Functions

Capital aid and technical assistance. No capital aid and negligible technical

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/assistance

Details wanted

assistance last year. £10,000 to £15,000 in current estimates for technical assistance programme. A rough programme has just been drawn up in conjunction with our Embassy, following a visit to Baghdad by Mr. Frost of O.D.M.

(b) Further Action for Consideration

Increase in ceiling of £15,000 if suitable projects can be found. (I understand that the Embassy is now quite happy with the present proposed programme.

Ministry of Defence

(a) **Functions**

Organisation of courses; security considerations prevent acceptance of of Iraqis for sensitive courses, e.g., staff colleges, Camberley and Andover. Some Iraqis are here or on their way for navigational and air traffic control courses run under R.A.F. auspices. Security rules also inhibit supply of sensitive military equipment to Iraq.

What asked for
What agreed

(b) **Further Action for Consideration**

More flexibility in administration of security rules both for courses and for the supply of sensitive equipment.

Information Administration Department

(F.C.O.)

(a) **Functions**

When?

Sponsoring a visit from senior Civil Servants, journalists and other people not eligible for visits organised by other Departments. Bagdad has been asked to nominate suitable Iraqis but there has been no response from the post.

I recommend that the meeting should ~~held~~ ATTEND at Head of Department level and that the following people be invited to attend:-

Mr. Stewart (Head of Cultural Relations Department) and a representative from the British Council, Mr. Illingworth (Oil Department), The Head of Defence Department and a representative of the Ministry of Defence (who could be Mr. Tallboy, head of D.S. 13) Mr. Cape (Information Administration Department), Mr. Sinclair (Board of Trade) and a representative from E.C.G.D.

/and

Reference...

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and Mr. Mackenzie Johnston (Ministry of Overseas Development).

(P. R. M. Hinchcliffe)

19 February, 1970

Mr Tripp

You asked for further information:-

(a) ODM Technical Assistance Programme

i) Fellowships for employees of Iraqi Republican Railways, now being arranged between ODM & B. Rail. Up to 5 Iraqis involved

(ii) Iraqi Dairy Administration ODM arranging for 5 Iraqis to be on attachment to industry here or to be awarded training fellowships.

(iii) CIVIL AVIATION 4 trainees on a months notice to come to this country.

(iv) IRRIGATION 2 Scholarships (M.Sc Course Southampton University) offered to the Iraqis.

(v) POST & TELEGRAPHS. Iraqis have requested 2-4 scholarships for officials to be attached to the G.P.O. ODM are taking this up with the GPO

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Any other ideas put forward by the Embassy for the balance of the £10,000-£15,000 will be considered by ODM. The ball is with the Embassy.

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[illegible]

(b) **M.O.D** **Iraqi requests for weapons.**

They asked for TIGERCAT but Sting and we agreed to supply. They subsequently lost interest. We also agreed to supply small arms including MORTARS (3") but nothing came of this. They have displayed sporadic interest in other arms:. LIGHTNING (now dead) Jaguar (we are trying to steer them away from this) Harrier. (RAPIER has been mentioned as well) but no firm orders have been forthcoming.

(c) **I.A.D** Posts were written to two weeks ago about bids for sponsored visits. No reply from Baghdad. I understand that there were no bids from Baghdad last year.

(d) **BoT**. You mentioned Trade Missions. Outward last year we had the BNEC (COMET) mission to Iraq in October. In November we had a visit to this country from the Iraqi Minister of Rural & Municipal Affairs - sponsored by the B.T.

23/2

11

Mr Hinchcliffe

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Reg c.P.a. until original returns. PRMM 27/1

Mr. Arthur

What more can H.M.G. do for Iraq

In advance of the meeting proposed in Mr. Hayman's minute of 17 February, I have summarised below H.M.G.'s present activities with some suggestions for future action:

(i) British Council

(a) Current Activities

Re-established in June 1969: Representative, one assistant and six locally-engaged staff. One English language teacher. Library. Selection of Iraqi students for courses in England (727 in 1968/69); Supervision of British examinations. Cost: £38,767 per annum.

(b) Proposed Activities

Increase in staff by one English-language teacher and one librarian/ general duties officer (now being recruited). More money for scholarships. Establishment of English-Language Institute. Exchange of cultural visits.

(ii) Board of Trade

(a) Current Activities

Promotion of Anglo-Iraqi trade (£20 million pounds in 1969), information on Iraqi market, liaison with BNEC and ECGD; inward and outward trade missions; COMET Mission October 1969. Visit of Iraqi Minister of Municipal and Rural Affairs November, 1969.

(b) Proposed Activities

Provision of a line of credit (already under consideration with ECGD); more information on Iraq in publicity media; higher level of British participation at the next Baghdad Fair, October 1970.

(iii) Ministry of Overseas Development

(a) Present Activities

Capital Aid and Technical Assistance; no capital aid and negligible technical assistance 1968/69. £10,000 to £15,000 in current estimate for technical assistance. About 20 Iraqis from five separate Government Departments coming to Britain on Training Fellowships (Programme agreed between O.D.M. and Embassy in Baghdad).

/(b) Proposed

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OO

(b) Proposed Activities

Increase in ceiling of £15,000 for technical assistance if suitable projects can be found by the Embassy.

(iv) Ministry of Defence

(a) Present Activities

Provision of military courses in U.K.; security considerations prevent acceptance of Iraqis at Staff Colleges at Camberley and Andover, Iraqis accepted for navigational and air traffic control courses. Sale of Military equipment. (Security Rules inhibit supply of sensitive military equipment to Iraq e.g. Jaguar, Rapier.) Offer to supply Tiger-Cat to Iraq in April 1969 not taken up by Iraqis.

(b) Proposed Activities

Subject to satisfying security requirements, propose more courses and military equipment supplies.

(v) Information Administration Department (F.C.O.)

(a) Present Activities

Sponsoring of Visits from Senior Civil Servants, Journalists etc. Baghdad Embassy has been asked to nominate suitable Iraqis.

(b) Proposed Activities

Special effort to attract Iraqi visitors to this country.

(J. P. Tripp)
26 February, 1970

c.c.

Mr. Hayman
Mr. Parker (D.T.S.D.)
Mr. Stewart (C.R.D.)
Mr. Jamieson (E.P.D.)
Mr. Cape (I.A.D.)

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-5 MAR 1970
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Mr [illegible]

Reply [illegible] Baghdad Tel No 135
p.a. on Iraq/Bloc relation

5/3

Mr. Gallagher
Private Secretary

Iraq Petroleum Company (IPC)

The Secretary of State asked for comments on Baghdad telegram No. 135.

General

2. In this telegram H.M. Ambassador highlights the danger of an extension of Soviet influence in Iraq. He therefore concentrates on what he sees as the political consequences of the IPC's attitude. This presentation fails to bring out (a) the complexity of the dispute; (b) the many efforts by the companies to find a solution, most recently in December and January last; and (c) the economic arguments, which do not point in the same direction as the political arguments. The attached brief, prepared for the Permanent Under Secretary's meeting with the Chairmen of BP and Shell on 16 February, summarises all these factors and explains why hitherto we have not felt able to intervene forcibly in the way in which Mr. Balfour Paul would like.

.B.

Specific points

3. I have the following comments on Baghdad telegram No. 135.

(a) Paragraph 2. It is certainly true that the Iraq National Oil Company (INOC) is now a going concern. I do not think that either officials or the companies underestimate its growing effectiveness. Sooner or later, "hot" Iraq oil is going to be on the market. Nevertheless, although the N. Rumaila field has been proved, much work still has to be done (a) to extract it from the ground and (b) to construct the

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facilities to get it to the coast. Our BP contacts think that it will be at least one year before INOC/Soviet production even starts and a considerably longer period before the oil is available for export.

(b) Paragraph 3 It is true that the IPC companies (except the French) do not want to increase the amount of Iraqi oil coming on to the market from South Iraq since this would only serve to complicate their problems in the Gulf area in conditions of over-supply. The more S. Iraqi oil on the market, the harder it is for the companies to satisfy the aspirations of the Shah and others. They were however prepared to increase production in Iraq (and make other substantial concessions to the Iraqis) last December - see paragraph 8 of brief - provided the Iraqis would give them exclusive control in N. Rumaila and certain of the other expropriated areas. In our view this offer was reasonable (a) because the companies could fairly ask for a quid pro quo and (b) because they could not capitulate to the Iraqis entirely, without repercussions in other, more important areas. As I understand it, they were not moved by General Ammash's offer (a) because they were not prepared to be treated as just another bidder for N. Rumaila oil, on a par with Russians, Czechs or Spaniards and (b) because they were not willing to take oil on Iraqi "commercial terms" which would have unfavourable tax implications for them. In any case, they do not believe that General Ammash (who may well be sincere) is really making the running in Iraq on these matters (see comment in next sub-paragraph).

Our view is that, while the prospect of N. Rumaila oil coming on to the market through INOC is certainly unwelcome, the companies are right to think of this as the lesser of two evils.

(c) Paragraph 4. The evidence is that Mr. Hammadi (who has recently become Minister of Oil as well as Chairman of INOC) will try to tighten the screw on IPC. He seems to have been responsible for a recent decree closing a loophole through which some of the expropriated territory could have been returned. IPC will probably have to meet him over such things as water-supply (we do not know the details of this case) and compromise over production in their remaining concessions. ((a) and (b) of paragraph 4 of the telegram). What Mr. Hammadi terms legalities, however, is the whole basis of the IPC's position which we have endorsed and supporte from time to time, as described in the brief. We cannot, in my view, press the companies to change their stance in such a matter unless we accept that they should jeopardise their position throughout the major concessionary areas. This is the point to which one is driven back again and again and it arises also in the context of paragraph 5. The companies rega an imperfect settlement in Iraq with undesirable precedents that could be quoted against them elsewhere as more dangerous that a continuation of the status quo with the danger of a head-on collision there.

(d) Paragraph 6. I would not express this in the terms of moral obligation by the West employed by the Ambassador. The IPC is a commercial concern whose activities are regulated

/by

by the terms of international trade in oil. From the point of view of British interests the aspect to be borne in mind is that the Iraqis' economy and standard of living do indeed depend on the IPC, from whose taxes most of the Iraq Government revenues are provided. This means that, although the companies' position is sure to be eroded and although the Iraq Government will develop their links with the Russians as it were in parallel, they are in no position to dispense with the IPC. The Iraqis have derived immense benefit from the IPC's investment and activities and if they are so foolish as to throw these advantages away they have only themselves to blame. The companies have no alternative but to think in terms of the next few years - and not only in relation to Iraq. Discoveries elsewhere, political change and technical innovation are all proceeding too fast for policy to be fixed far ahead in relation to any producing area.

(e) Paragraph 7. The Permanent Under Secretary expressed to the companies on 16 February his anxiety at the mounting Soviet influence in Iraq which could be source of a further spread to elsewhere in the Gulf. Anything the companies could do to help arrest the trend would be welcome. Mr. Barran took the view that this process would continue whatever the companies did and that even an IPC settlement on Iraqi terms would not check the process. By making such a settlement the companies would be damaging their interests overall with no compensating gain to the West. We do not dissent from Mr. Barran's view for although it is true that an IPC settlement on Iraqi terms would improve, temporarily at any rate, Anglo-Iraqi relations and could lead for instance to a dramatic increase in trade between the two countries, it is doubtful that it would inhibit the Iraqis from continuing to build up their own national oil company as a viable rival to the "imperialist" IPC. They would press on through the INOC to exploit North Rumaila and other areas (the final loss of which to the IPC would presumably be part of any settlement agreeable to the Iraqis) with continued Soviet bloc assistance. As the Ambassador recognises, the Middle East dispute is the touch-stone for Iraqi attitudes to other governments. It is most unlikely that H.M. Government's attitude towards the Arab/Israel dispute will change sufficiently in the future to satisfy Iraq. We will therefore remain at a disadvantage vis a vis Soviet/Iraqi relations.

The groups "Gulf eggs" are of course in many baskets other than Iran and Abu Dhabi, notably Kuwait and Saudi Arabia.

4. We shall continue to exchange views with the companies, but my present view is that Mr. Balfour Paul's telegram does not make out a convincing case even in the narrow Iraq context for pressing the IPC to resume negotiations with the Iraqis.

5. N.E.D. concur.

(R.H. Ellingworth)
Oil Department
17 February, 1970.

c.c. (without encs.)
Mr. Miers
Mr. Renwick
Mr. Baker
Mr. Bottomley
Mr. Arthur
Mr. Tripp

Mr. Gregory (Mintech.)
Mr. Steel (Treasury)
Mr. Walke (Board of Trade)

WED [illegible] 3/3
EESD
Mr Cooper
IRD
LPD BRP 6/3
31/3
(13/4) Circ
Mr. Jenkins RD(EES) 3/4
(TEMP. SACHS)

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1970
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British Embassy,
BAGHDAD.

13

27 February, 1970.

Dear

It is reported here that a cooperation agreement was signed recently in Berlin between the Iraqi News Agency and the East German A.D.M. The text of the agreement has not been published but it is said to include provision for the exchange of news items and for the supply of up-to-date equipment to I.N.A. in order to improve the Agency's present services.

2. This agreement comes at a time when the Soviet bloc and other Communist countries are steadily increasing their influence in the Iraqi news media. We have heard of a Soviet gift of printing presses to Al Nur newspaper which may have been the cause of that newspaper's more pronounced pro-Soviet and anti-Western stance in recent months. Certainly the Communist bloc get very good publicity in the Iraqi press, but this is not entirely the product of goodwill, we understand that the East Germans and the North Koreans certainly and probably other Communist countries have to pay for feature articles which they get placed in the press.

Yours sincerely
Mike
(M. K. Jenner)

P. R. M. Hinchcliffe, Esq.,
Near Eastern Department,
F.C.O.

c.c. P. Joy, Esq., British Embassy, Beirut
Chancery, British Embassy, Bonn.

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10 MAR 1970
NEQ 2/1

Mr Hinchcliffe

14

NNNN
BBC B

B6 PERMANENT IRAQI-SOVIET ECONOMIC COMMITTEE TO BE SET UP
(WITH B26 YESTERDAY)

NF

BAGHDAD RADIO REPORTS THAT UNDER AN AGREEMENT SIGNED BETWEEN IRAQ AND THE USSR A PERMANENT JOINT IRAQI-SOVIET ECONOMIC AND TECHNICAL COMMITTEE WILL BE SET UP TO STUDY POSSIBILITIES AND PREPARE PROPOSALS FOR ECONOMIC COOPERATION BETWEEN THE TWO COUNTRIES AND FOLLOW UP THE IMPLEMENTATION OF AGREEMENTS CONCLUDED SINCE 1959. THE AGREEMENT WILL CONTIMUE IN FORCE FOR FIVE YEARS. THE JOINT COMMITTEE WILL MEET AT LEAST ANNUALLY, IN BAGHDAD AND MOSCOW ALTERNATELY AND WILL BEGIN ITS ACTIVITIES IN ACCORDANCE WITH AN AGREED PROGRAMME.

MF BBC MON 9/3 ZA 0917

Reg. 6pa.
Iraq/Soviet relns

B6 IRAQI-SOVIET

THE MINISTER OF OIL AND MINERALS, DR. SADUN HAMMADI, SIGNED THE AGREEMENT FOR IRAQ AND THE VICE-CHAIRMAN OF THE STATE COMMITTEE OF THE COUNCIL OF MINISTERS FOR FOREIGN ECONOMIC RELATIONS, KULEV, FOR THE USSR.

END BBC MON 9/3 ZA 0918 KY

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(15)

BRITISH EMBASSY,

PARIS.

(I 1/6)

2 March, 1970.

Pa

Mr. Hinchcliffe.
Pl. speak soon.
R.E. 3/3.

Dear Richard,

Soviet Bloc Penetration of Iraq

We have seen in the print H.M. Ambassador, Baghdad's interesting despatch of 3 January on this subject, and have considered whether we might pass a copy to the Quai d'Orsay under the authority given in FCO circular O 328/69 of 23 December, 1969.

2. We saw no difficulty about communicating most of the contents of the despatch to the French but felt doubts about those paragraphs in which Balfour Paul deals with the question of arms supplies. In general, this is not, for obvious reasons, a subject on which we have hitherto had as frank exchanges with the French as we have been able to manage on some other aspects of the Middle Eastern scene. In the particular case of Iraq, although M. Pompidou has just said (in his New York Times interview) that the French have no present intention of selling Mirages to the Iraqis, this decision is not necessarily for all time and we felt you would not wish Balfour Paul's views (particularly his paragraph 11) to become known to the French without having at least had the opportunity to put the Department's gloss on them.

3. Such an opportunity would arise during Geoffrey Arthur's visit on 16 April for talks with the Quai on the Middle East. If Arthur wishes to discuss Iraq in any detail, therefore, it might be useful to have given the Quai a copy of this despatch a few days in advance, with the intimation that we

March

/should

R. M. Evans, Esq.,
N.E.D.,
F.C.O.

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should like the question of communist influence to be one of the subjects for discussion. An alternative might be for the Department to prepare a bowdlerized version.

4. Incidentally, the French have just appointed a new Ambassador in Baghdad. The inclusion of a discussion on Iraq in the talks with the Quai might be some slight help to Balfour Paul in getting on net with his new French colleague.

Yours ever

Michael Simpson-Orlebar

(M.K.O. Simpson-Orlebar)

P.A.

11/3

(16)

Mr Egerton. Pl see Mr Arthur's minute.

Mr. ~~Tripp~~ agrees

9.3

Mr. ~~Evans~~

Soviet bloc penetration of Iraq

I understand that you wished to minute on Mr. Simpson-Orlebar's letter I.1/6 of 2 March.

FLAG 'A'

2. Mr. Simpson-Orlebar has asked if Mr. Balfour Paul's diplomatic report on Soviet Penetration of Iraq should be passed (in some form or other) to the French and has suggested that if Mr. Arthur wishes to discuss this topic with the Quai on his visit to Paris next month this would be a suitable opportunity for handing over the report. this

FLAG 'B'

3. Unless Mr. Arthur's views on discussing Iraq with the French - as with our other Western European allies - have changed recently, he will not wish to raise the topic with the Quai. This consideration apart I do not think that we should let the French see this despatch. Here I agree with the reservations expressed by Mr. Simpson-Orlebar in paragraph 2 of his letter about exchanges with the French on arms supplies to the Middle East. If we were to produce a bowdlerized version of Mr. Balfour-Paul's report suitable for French consumption, omitting the lengthy section on arms supplies and therefore all references to that section the end result would be a document obviously incomplete in argument and in substance and would not be worth passing on to anybody. However I see no objection to Embassy in Paris drawing on the other sections of the report when discussing Iraq with their opposite numbers at Quai.

PRM Hinchcliffe

(P.R.M.Hinchcliffe)
Near Eastern Department
4 March, 1970

Mr ~~Tripp~~.

The despatch is one of the best I have read since joining Near Eastern Department. But I do not think we should authorise the Embassy in Paris to give the Quai a copy (even in an edited version). There are officials there who might be tempted to pass on extracts, or to quote extracts, to the Arabs (none of whom should know anything about Mr Balfour Paul's views).

2. I do not suppose that Mr Arthur will want to discuss Iraq with M. de Leusse on 16 March. Other considerations apart, he will probably want to keep all the time available ~~[illegible]~~ open for discussion of the conflict between Israel and the Arab states.

3. If you and Mr Arthur agree, I will reply on these lines, but softening the reference to our doubts about French discretion, to Mr Simpson-Orlebar.

R. M. Evans
4 March, 1970.

Mr Egerton S 9/3

Mr Arthur.

I agree with Mr Evans that this was a good despatch. (I wrote to thank Mr Balfour-Paul on 16 January for this very helpful contribution to our consideration of the problem of Soviet penetration of Iraq).

2. I also agree that we should not authorise Paris to give or show the Quai a copy.

3. Would you please let me know if you agree to paras 2 & 3 of Mr Evans' minute above.

J. P. Tripp

Mr Tripp

The Fr. have now asked to discuss Iraq and we must agree. So these minutes are irrelevant. My brief should contain everything in this despatch which is suitable for French ears.

P 9/3

Dft 9/3

CONFIDENTIAL

NEQ 2/1

(17)

(NEQ 2/4)

9 March, 1970.

Soviet Bloc Penetration of Iraq.

Please refer to your letter I 1/6 of 2 March to Richard Evans on this subject.

2. The French have now asked us to discuss Iraq and we are accordingly preparing briefs for Geoffrey Arthur's visit early next week. We shall be drawing heavily on Baghdad Despatch NEQ 2/1 of 3 January (Diplomatic Report No. 66/70) in preparing these and would, on reflexion, prefer you not to give the Quai either a full or a bowdlerised version in advance. The risks of French leakage of extracts from the Despatch in our view outweigh the advantages of a fully prepared exchange of views.

now see folio (18)

(S. L. Egerton)

P.S. 11/3

M. K. O. Simpson-Orlebar, Esq.,
PARIS.

CONFIDENTIAL

P.a. on NEQ 2/1

11/3

SECRET

NEQ 2/1

Mr Hinchcliffe ⑱
(to keep)
was asked to condense yr. excellent note. Hope this is OK.
RE 11/3

IRAQ

A. The Kurds.

Kurdish negotiating team now returned to the north; talks thought to have broken down. Main obstacles seem to have been: (a) Kurdish demands for representation on the Ba'ath Revolutionary Command Council; (b) their wish to have Kirkuk included in the "autonomous" area; (c) pressure by the Iranians on Barzani to keep the dispute going. But Iraq Government keen to continue to try for agreement; latest information is that contacts resumed, probably at Soviet urging.

B. Iraq/Iran relations.

Deteriorated sharply following Iraqi accusations of Iranian involvement in the abortive coup of 21 January. Troop movements on both sides of the frontier but not to the same extent as in the crisis of April/May, 1969. No interference so far with shipping in the Shatt el-Arab.

C. Mediation.

Iraq asked Turks to mediate and Turkey has gone through the motions with Iranians. Result not yet known, but no stand down on troops as yet. No sign of any further attempts at mediation by the Jordanians.

D. The Ba'ath régime.

Internal. Firm grip on the country; Civil Service, armed forces (particularly Baghdad garrison) and security services infiltrated by party nominees; régime still out of favour with the Shia and not on good terms with other political groupings; no signs of a national front Government being formed. **External.** Relations still poor with Syria, but limited rapprochement just conceivable. Interest increasing in Persian Gulf; visits by Iraqi Ministers to Sheikhdoms, assistance for PFLOAG (Dhofar) continue.

E. Soviet bloc influence and presence.

Military. Iraqis now completely dependent on bloc. In the army all small arms, soft skin vehicles and two-thirds of armour and artillery now of bloc origin. In air force, 6 out of 8 fighter squadrons, both bomber squadrons and most of the transport squadrons are bloc-equipped. All of the navy's equipment, save for old British river gunboats, of Soviet origin. Approximately 250 Russian technicians with the Iraqi armed forces.

Economic. Steady increase in bloc commercial penetration. Major agreements between Iraq and Communist countries during the past twelve months in two forms:-

(1) Assistance for exploitation of natural resources (with Poland for sulphur; Hungary for equipment and the drilling of four wells for the INOC; Czechoslovakia for a refinery at Basra).

See f ⑰

/(ii)

SECRET

(ii) Supply of plant and equipment on favourable terms (by the U.S.S.R., £12 million worth of earth-moving equipment, Czechoslovakia (£12 million) and Bulgaria (£7 million). GDR loan, £35 million for machinery, plant, equipment for industrial projects.

Political. Soviet Palestine policy the basic factor ensuring Iraqi goodwill. GDR recognised in 1969. Numerous "friendship visits" at high level in both directions. Bloc civilian experts in Iraq now total some 1,500.

F. Arms supplies to Iraq.

Soviet bloc easily main supplier. H.M.G. supplied 50 Hunters in 1963; no major deals for military equipment since then. Iraqi interest in Lightnings and in Tiger-Cat missile not crystallised. Known to be interested in Jaguar, Harrier and Rapier. F1 Mirages required (up to 50), but French have now told Iraqis they cannot supply.

W 18

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RECORD OF ANGLO-FRENCH OFFICIAL TALKS ON THE MIDDLE EAST HELD AT THE QUAI D'ORSAY IN PARIS ON 16 MARCH, 1970

Present:

Mr. G.G. Arthur	M.B. de Leusse, Directeur d'Afrique-Levant
Mr. A.M. Palliser	M.L. de Nanteuil, Sous- Directeur
Mr. C.J. Makins	M. Bitard

French Arms Supplies to Lebanon

M. de Leusse said that he wanted to tell us in confidence about French arms supply policy to Lebanon. In 1966, the French Government had agreed to supply 12 Mirage aircraft to Lebanon. These aircraft had all arrived by January 1970. As was normal with such contracts, the Lebanese still owed one third of the cost of the aircraft. They were, however, worried both about the problem of payment and about the fact that the aircraft offered a target for various people. At the same time, they needed military equipment of other kinds. They therefore wanted to lease the aircraft to someone else. However, the French had invoked a clause of the contract which prevented the retrocession of the planes without permission. The Lebanese knew about this and also that the French were prepared to take back some of the planes and to sell them military equipment instead. M. de Leusse said that he wanted HMG to know about this. The French did not wish to disturb the military balance in the Middle East. They also understood that the Lebanese had police problems. However, the question of military equipment sales was now a matter for the commercial interests concerned.

/ 2.

2. Mr. Arthur said that arms problems of this kind were extremely difficult. We had refused the Lebanese nothing. But we could not sell them arms which were not paid for. In 1968, we had supplied Lebanon with a mere £200,000. worth of equipment. In 1969, we had offered the Lebanese three Hunter aircraft, but the Lebanese had turned down the offer because they could not pay for them. The Lebanese had also asked for some other small items, but had not decided to buy them. He understood that the Lebanese defence budget had been increased, but he wondered where the money would come from. Mr. de Leusse said that the Lebanese claimed that the Russians had offered them arms. We both had an interest in preventing the Russians getting their foot in this door.

Iraq

3. Mr. Arthur began by giving our assessment of the agreement between the Iraqi Government and the Kurds. He went on to say that we had been wondering what we could do to counter the increasing Soviet influence in Iraq. Our conclusion usually was that there was nothing we could do short of turning pro-Arab enough on the Palestine question to satisfy the Iraqis - which was impossible.

4. M. de Leusse said that the French Government did nothing of great importance in Iraq. They tried to talk with the Iraq Government. They also had some trade with Iraq and a number of experts there from the Secretariat d'Etat á la Co-operation. They had some cultural presence there, notably in the form of language training. But all in all, they found relations with the Iraqis very difficult. M. de Nanteuil said that the proposed Mirage deal with Iraq had fallen through. He did not see what the French could do. The Iraqis were interested in their own problems, they did not do very much about the Arab States' dispute with Israel and he did not think that the Iraq Government's settlement with the Kurds threatened Israel very much. However, he had the impression that something new was happening in Iraq. The regime was no longer simply a junta, but now represented a political organization which descended to the lower levels of the population. This could give it greater stability.

/Yemen

FOREIGN AND COMMONWEALTH OFFICE **DIPLOMATIC REPORT No. 66/70**

NEQ 2/1 *Europe / North Africa and Middle East Distribution*

IRAQ
20 January, 1970

SOVIET BLOC PENETRATION OF BA'ATHIST IRAQ

The British Ambassador in Iraq to the
Secretary of State for Foreign and Commonwealth Affairs
(Received 20 January)

SUMMARY

Introductory assessment of Soviet *bloc* intentions towards Ba'athist Iraq and of Ba'athist attitudes towards the *bloc*. Mutual suspicions survive but hardly affect the visible policies of either side. (Paragraphs 1–2.)

2. Effect of Soviet support for the Arab cause in Palestine. (Paragraph 3.)

3. Recent developments on the ground:

(*a*) *Military* dependence on the USSR is now almost total. (Paragraphs 5–6.)

(*b*) In the *economic* field the *bloc* has been pursuing an aggressive trade policy, has restored its reputation as supplier of development credits on easy terms, has acquired merit by encouraging Iraq's hopes of exploiting its own mineral wealth, and has achieved a strategic gain with its Fisheries Agreement. (Paragraph 7.)

(*c*) *Politically,* the *bloc* has secured Iraqi recognition of the GDR, promoted a flood of visits in both directions and " co-operation " agreements of various kinds, and secured the abject allegiance of Iraqi publicity media. *Bloc* experts in Iraq in fair numbers. (Paragraph 8.)

4. Does all this mean that Ba'athist Iraq's progress towards Moscow has passed the point of no return? Certain reservations, both of principle and practice, on both sides. None the less, the *bloc* can be fairly satisfied with its success to date. (Paragraph 9.)

5. It would still be possible to pull Iraq back into a middle path if the West thought it worth the effort. (Paragraph 10.)

(Confidential) *Baghdad,*
Sir, *3 January, 1970.*

Any attempt to assess at the receiving end (so to speak) the success so far achieved by the Soviet *bloc* in the penetration of Ba'athist Iraq must beg one basic question. This concerns the nature of the *bloc's,* in effect the Soviet Union's, own intentions—a subject on which I am hardly qualified to pronounce. But since a guess at their policy has to be made in order to judge how well they are getting along with it, the following in brief is mine. The Soviet Government, I would say, have no desire at this stage to press for the Communisation of Iraq. They remain for good historical reasons highly suspicious of the Iraqi Ba'ath, but are no more concerned than elsewhere in Arab countries for the fortunes of the local Communist Party. They see the course of Middle East history (at least as long as the Arab/Israel problem is unsolved) moving by itself in their favour *vis-à-vis* the West, and while of course they are happy to give it a fair wind, they see no advantage in forcing the pace. In Iraq itself, apart from extending their influence in general terms, they are specifically concerned to disrupt the West's oil monopoly, acquire warm-water port facilities, and exploit their enhanced position with the aim of encircling Iran and promoting the overthrow of that and other " reactionary " régimes. For all of this the continuation in power in Iraq of a reasonably radical Ba'athist clique, and the cultivation of a patron/client relationship with it, will serve their present purposes well enough.

2. If this or something like it represents the Soviet attitude towards Ba'athist Iraq, what is the attitude of Ba'athist Iraq towards Communism (in philosophical terms) and towards the Communist *bloc* (in political ones)? The writings of Aflaq and other founding fathers, though favouring closer relations with Socialist States, at least make it clear that Communism cannot be the Arab road to Socialism; and the spiritual element in Aflaq's philosophy is of course from a different German stable than Marx. Whatever may be true of the neo-Ba'ath in Syria, Aflaq remains an influential figure amongst Iraqi Ba'athists; and though the pure milk of his doctrine has in practice been adulterated here too, the party continues to regard Ba'athism as a complete political philosophy in its own right. Even the tendency amongst its younger exponents to veer further towards Communism than either Aflaq or his maturer Iraqi disciples would wish is more a function of Iraq's tactical alignment with the Eastern *bloc* and its political alienation from the United States than of ideological conviction or understanding. Within its own borders Iraq's Ba'athists (despite occasional genuflexions towards National Frontery) remain determined to prevent other parties sharing significantly in their monopoly of power. Successive purges have left few Iraqi Communists in Government employ; and the pro-Soviet Communist Party, like the pro-Chinese one, is given little rope. None of this stops the Ba'athist régime from grasping Soviet *bloc* aid on its ostensibly advantageous terms with both hands, cultivating the cosiest public relations with the donors and lavishing them with eulogies so fulsome that even Ulbricht must wince. But fundamentally the order of priorities in the nomenclature of the Arab Socialist Ba'ath Party of Iraq is clear: it is Iraqi first, a party (seeking to preserve power) second, Arab (in the sense of commitment to Arab causes) third, and Socialist (in any sense admissible in Moscow) last if at all.

3. One further introductory point, so obvious that it may by now almost escape notice, is the radical change that has overtaken the Arab world since the June war. Whereas in the previous two decades Arabs not directly involved in the Palestine issue paid little more than lip service to the cause, they are now passionately, perhaps even genuinely, engrossed in it. This mutation, coupled with the emergency of the Palestine resistance movement as a power in its own right and with the Soviet Union's enhanced commitment to it, has given a new dimension to Iraqi/Soviet relations. None the less, every Iraqi leader I speak to seems obsessively concerned to explain away the régime's recent cultivation of such close politico-economic relations with the *bloc* (which contrasts with their visible hesitancy when they first came to power). The standard explanation—" What do you expect? You Westerners have left us no option. Anyhow, though

we know the dangers, we have not found any hidden strings attached to *bloc* helpfulness "—may or may not hold water. But the obsessive need to justify themselves strikes me as both genuine and significant.

4. So much by way of prologue. I now turn to the situation on the ground and will examine the current state of *bloc* relationships with Iraq in the military, economic and political fields, in that order.

Military

5. Iraqi holdings of Soviet *bloc* equipment in all three services are now such that they are completely dependent on the *bloc's* continued goodwill for their effectiveness. The situation (which, as far as major items of equipment are concerned, is set out in tabular form in Annex A as accurately as we can manage) may be summarised as follows:

(*a*) *Army*. In field formations all small arms and soft-skinned vehicles and two-thirds of their armoured vehicles and artillery weapons are now of *bloc* origin. Although the Iraqi Army retains a preference for the British pattern in respect of most types of regimental establishment, staff training, tactical doctrine and fire procedures, it is now almost totally at the mercy of the Soviet *bloc* for spares and specialised training to keep itself and its equipment operational. Moreover, the anglophile tendencies still existing in the higher echelons of the army are not likely to be reflected lower down, now that training facilities in the United Kingdom are severely curtailed.

(*b*) *Air force*. This shows an even greater dependence on *bloc* equipment than does the army. Six of its eight fighter squadrons and both its bomber squadrons are now *bloc*-equipped, as to a large extent are the three transport squadrons. Of the force's 126 trainer aircraft, 50 are still of British origin; but most of the British equipment in the air force as a whole is obsolescent (popular though the Hunter remains) and is likely to be replaced from *bloc* sources. In the field of training, the *bloc* walk-over is less total. While large numbers go to the USSR and Czechoslovakia for air-crew training, Pakistan and the UAR participate in this type of training abroad; and there is of course a far greater demand for Royal Air Force courses of all kinds than can be met. Within Iraq, basic flying training is taught by Indian instructors, while a Pakistani mission teaches operational flying.

(*c*) *Navy*. All the navy's equipment, save four aged British river gunboats, is of Soviet origin. The establishment is of course of a modest nature, but deliveries are expected soon of more sophisticated Soviet equipment including KOLMAR missile-firing patrol boats. Though the navy relies heavily on the UAR for training, it may be relevant that there are said to be some 60 Russian naval personnel now in the Basra area. It is generally assumed that the Soviet/Iraq Fisheries Agreement signed in January last, is intended by the former to pave the way for the installation of base facilities of value to the Soviet Navy as well as to contribute to Soviet naval intelligence coverage in the Gulf and beyond.

6. There is evidence enough that the Iraqis are themselves unhappy at the extent of their military dependence on the *bloc*. Had the West been able to offer competitive prices and credit terms, and in our own case to sanction the release of classified new equipment, and in particular had a settlement been reached with the Iraq Petroleum Company, it is at least probable that the picture would be radically different. For various reasons, including its attitude to the Kurdish " war ", the Soviet Union has little interest in improving the efficiency of the Iraqi Armed Forces;

and certainly it keeps them on a tight rein for spares. The Iraqis' own awareness of this, coupled with their fundamental preference for Western equipment and training, no doubt explains their periodical shopping expeditions to the West (unsuccessful as these mostly are).

Economic/Commercial

7. Despite the misgivings with which the Ba'athist régime and the Communist countries initially viewed each other, despite continuing Iraqi uncertainties (amongst senior officials and some Ministers) about the merits of relying on Soviet *bloc* economic assistance, and despite the visible readiness of Iraq to do business in the broader sense with the West (America and West Germany excluded) if terms are competitive, the last 12 months have seen a steady increase in *bloc* commercial penetration. In respect of ordinary trade, the *bloc* share of the Iraqi market has been rising sharply over the last 10 years, though it is not yet possible to establish the extent to which this trend has been accelerated since the present régime took over. The *bloc's* mounting interest in trade was recently exemplified in the scale of their participation in the Baghdad International Fair in October, where the effort put into *bloc* pavilions outclassed anything attempted by Western countries. What is, however, of much greater significance is the series of major contractual agreements recently signed with *bloc* countries. (A full list is enclosed as Annex B.) These may be grouped in three categories:

(*a*) Agreements for the supply of plant, machinery and equipment, itself of an innocent nature but on terms so favourable that even *bloc* representatives have described them to us as " political ". This is of course not a new departure, but a revival of the favour shown to Iraq in Qasem's day, when the Iraq/USSR loan agreements of 1959 set in train a number of projects, the most important of which were a drug factory at Samarra, a textile factory at Kut and a large industrial complex costing ID23 million at Iskanderiyah near Baghdad. The first initiative in this field shown by the USSR since the present régime came to power was the provision early in 1969 of about £12 million worth of earth-moving equipment, the cost being repayable over 10 years at 2½ per cent. The negotiations of loans from Czechoslovakia (£12 million for railway development) and Bulgaria (£7 million for land reclamation and other projects) were reported in the Press in February and June. The former, at least, seems to have run into the sand but both confirmed the new tendency. In June this year the GDR, evidently as part of the price of recognition by Iraq, volunteered a £35 million loan on similar interest rates for machinery, plant and equipment for industrial projects. Repayment of this loan is stated to be 70 per cent in Iraq crude oil from the Iraq National Oil Company and the remainder in the products of projects executed under the agreement. This easy credit policy is paralleled in the field of smaller provision contracts, where there is evidence of the Iraqis being prepared to manipulate tender procedures in the expectation that *bloc* tenderers will cut their prices under pressure without regard for commercial considerations.

(*b*) Agreements designed to satisfy the obsessive Iraqi desire for " direct exploitation " of national oil and mineral resources. The first of these was the agreement in May 1969 with Poland for the " direct exploitation " of the Mishraq sulphur field. This was followed by a series of agreements intended to make possible direct exploitation of oil in areas expropriated from the Iraq Petroleum Company and placed under the responsibility of the Iraqi National Oil Company (INOC) by the notorious Laws 80 and 97. The series began with the June 1969 agreement with Machinoexport for contractual assistance worth £30 million to INOC in the areas concerned and the July agreement with the Soviet Government for a £26½ million loan mainly for use in the oil industry, exploitation of the proved North Rumaila field being expressly mentioned in the text. (Machinoexport's surveyors, etc., are already active on the ground.) These were followed by two agreements with Hungary, one (in October) for the drilling of four wells in North Rumaila, the other (in December) for the provision of equipment and services to INOC worth some £5·4 million; and by an agreement with Czechoslovakia for the construction of a refinery at Basra costing about £20 million (agreement having also been reached with a Spanish concern on the erection of a factory to manufacture spiral pipe, apparently for the pipeline from the North Rumaila field to the ocean terminal). All these deals are declared to be potentially repayable in Iraqi oil. Meanwhile, discussions have been taking place with Czechoslovakia, Hungary and perhaps other Eastern European countries over the supply of future Iraqi crude oil to the proposed Rijeka pipeline.

(*c*) The Fisheries Agreement mentioned in paragraph 5 (*c*) falls into the third category (and is as yet the only example) of projects initiated by the *bloc* for politico-strategic ends of their own quite distinct from their local economic value.

Political

8. Apart from the general political by-product of their initiatives in the military and economic fields (and of course of their championship of the Arab cause in Palestine) the *bloc's* most conspicuous specific gain has been in securing Iraqi recognition last April of East Germany (direct relations with Bonn having been severed since 1965). They may also have had a hand in Iraq's progressive declarations of support for National Liberation Movements in Viet-Nam, Eritrea, Oman, etc. Secondly, having satisfied themselves of the emotional dependence of the Iraqi Ba'ath, they have given public recognition and form to this new relationship by promoting a flood of official delegations to and from Iraq and by signing a plethora of cultural and technical agreements with it. In the last six months of 1969, 37 delegations from Iraq to the *bloc* and 17 in the opposite direction have been recorded, many of them at Ministerial level. And during 1969, some 18 " co-operation " agreements of one cultural or technical sort or another have been announced, though ratification seems a trifle haphazard. Whether or not this traffic pays the *bloc* much of a material dividend, the moral dividend is substantial. Not only do Iraqi publicity media (all of course State-controlled) resound with eulogies of Socialist goodwill, but some at least of the continuous vilifications of the West in which these media indulge are certainly inspired by *bloc* agencies. No criticism of *bloc* behaviour ever appears in them: even the invasion of Czechoslovakia received official " approval ": articles in the British Press condemning it have been cut by the Iraqi censors. As regards the physical presence of *bloc* representatives (other than diplomats), the Soviet Chargé d'Affaires has told an informant that there are now some 1,500 Soviet experts at large in the country; the Czechoslovak Ambassador speaks of some 70 Czechs; the Hungarian tells me he expects 60 shortly from his country in North Rumaila. The GDR may well be coming up on the wing: certainly there is a peculiar sympathy between the GDR and Iraq—perhaps because each of them within its own *bloc* enjoys the freedom of irresponsibility on major issues. (General Ammash, on his last visit to East Berlin, breathtakingly described the two countries as " twin bastions of liberty ".)

Implications

9. What does all this add up to? Does the improved position acquired by the Soviet *bloc* in the last 12 months amount to a stranglehold? Put the other way round, has Iraq passed the point of no return along the road to Moscow? There are certain *caveats* which should first be entered. Firstly, this is not the way present leaders of the Iraqi Ba'ath (much less the mass of the people) view things. They never tire of assuring Westerners such as myself that Communism is not for them and that their close alignment with the *bloc* is a tactical necessity imposed on them by circumstances and reversible at will. Some at least of these protestations I would accept as genuine, not least those of Saddam Hussain, the party's leading strategist, reported in my letter of 20 December to Mr. Tripp. Secondly, the Soviet commitment to Iraq is certainly not as far-reaching nor as well-established as it is, for example, to the UAR and Syria. The *bloc's* financial investment in Iraq, even on a *per capita* basis, is and looks like remaining very much smaller. Moreover, it is not perhaps widely recognised that in Iraq's case there are no Soviet " advisers " at work in Departments of State, not even in the armed forces. Indeed, it would be true to say that the Iraqis as a people resent domination from outside in a greater measure than other Arab countries—and that the *bloc* knows it. Thirdly, (a feature again not paralleled in the UAR and Syria) the *bloc* may well hesitate before wedding itself to the Sunni minority which in one costume or another has hitherto dominated this fractious Republic. In the long run, the *bloc* may calculate, the Shi'ite majority must claim its rights and will be unlikely to view with favour outsiders who have buttressed in too kindly a manner the oppressive rule of successive Sunni régimes. Islam, though the West has been far too ready in the past to regard it as a bulwark against Communism, plays a potent part in the internal disunity of Iraq, and the Soviet *bloc* may well be chary of being one day charged with having supported a minority sect against the oppressed majority. Nor of course are the Sunnis themselves cohesive; and the Soviet Union will not have forgotten how it burned its fingers in Qasem's time. Fourthly, Iraqi respect for the Chinese alternative is not negligible; and the régime is not disposed to take sides openly in the great confrontation.

10. Such considerations as these certainly affect the degree of vehemence with which the Soviet *bloc* is disposed to press its suit with Ba'athist Iraq. None the less, they can be reasonably satisfied with the results of their penetration to date, which can be summarised as follows:

(*a*) Their military stranglehold is almost complete and can only be released by a counter-effort on a scale which the West, as things are, is not disposed to mount.

(*b*) In the field of economic initiative, the *bloc's* gains are political rather than commercial. Firstly, the *bloc's* reputation as Iraq's main supplier of development funds, which was acquired 10 years' ago but had subsequently been allowed to wither; has been re-established. Secondly, the *bloc* has acquired especial merit by encouraging Iraq to look forward to direct exploitation of its own oil wealth and to the possibility of direct marketing of the product. If the Iraq Petroleum Company's current negotiations for a settlement prove abortive, Iraq's dependence on the *bloc* in this field will be consummated. Thirdly, the *bloc* is now in a measurably stronger position than it was before the Ba'ath seized power to pursue its purpose of eradicating Western influences inside Iraq and also further south.

(*c*) In terms of public postures the *bloc* need have no fear of this régime modifying its devotion as long as their own Palestine policy does not go sour on them (and attitudes in the West are unchanged). Their hope, as far as this part of the Arab world is concerned, is no doubt to keep this policy in play long enough to advance the cause of Marxist revolution in the remaining outposts of Arab conservatism before any reaction sets in. The continuation in power in Iraq of a narrowly-based clique of reasonably Left-wing complexion, depending on the *bloc's* arms supplies for its survival, is probably good enough for their purposes—and the less secure it feels, the better for the *bloc*.

Conclusion

11. In this review of the positional advantages acquired in Iraq by the Soviet *bloc* I have made no attempt to compare them with those still held by Western Europe and by the United Kingdom in particular. These are by no means negligible: indeed they are greater in some solid respects than those of the *bloc*. I believe that if we and our friends were minded to exploit these advantages before they dwindle it would not be impossible to pull Ba'athist Iraq back into a position at least of non-alignment as between East and West. The price, perhaps, would be higher in psychological, than in material, terms. It is not for me to say whether our priorities, or those of the West as a whole, are such as to make the effort worth considering; but what cannot be gainsaid is that the longer we wash our hands of it, the scummier will the water in this Mesopotamian basin become.

12. I am sending copies of this despatch to Her Majesty's Representatives in Aden, Amman, Beirut, Cairo, Jedda, Khartoum, Kuwait, Tehran, Tel Aviv, Tripoli, Paris, Washington, Moscow, Prague, Budapest, to the Political Resident, Bahrain, the United Kingdom Delegation to NATO and the United Kingdom Mission to the United Nations.

I have, etc.,

H. G. BALFOUR PAUL.

ANNEX A

SOURCE OF IRAQI ARMED FORCES' EQUIPMENT

	Soviet bloc	*Other sources*	*Uncertain*
Army			
Armour (including APCs)*	16 (64 per cent)	3 (12 per cent)	6 (24 per cent)
Artillery*	35 (65 per cent)	13 (24 per cent)	About 4–6 (11 per cent)

* Expressed in regiments/battalions.

Note: Small arms and soft-skinned vehicles in all field formations are of Soviet *bloc* origin.

	Soviet bloc	*Other sources*	*Uncertain*
Air Force†			
Fighter/Strike	124	37 (UK)	—
Bomber	19	—	—
Transport			
Helicopters	36	12 (UK)	—
Other	27	8 (UK)	—
Trainer	72	54 (UK)	—

† Expressed in aircraft.

	Soviet bloc	*Other sources*	*Uncertain*
Navy			
Coastal escorts	3	—	—
Fast patrol boats	12	—	—
Minesweepers	2	—	—
Torpedo recovery vessels	2	—	—
River gunboats	—	4 (UK) (aged)	—
In-shore patrol craft	2	—	—
Small fast craft for river patrol ...	6	—	—
Diving tenders	2	—	—
Fire fighting vessel	1	—	—

Future deliveries

By 1971, the Iraqi Navy is expected to have received 4 KOMAR missile-firing FPBs, 4 coastal minesweepers (possible SASHA Class), together with coastal radar and coastal defence equipment from the Soviet Union.

ANNEX B

MAJOR LOAN AGREEMENTS (OLD AND NEW) WITH BLOC COUNTRIES

Serial	*Year*	*Country*	*Sum* (£ million)	*Interest* (Per cent)	*Purpose*
1	1959-60	USSR	220	2½	Surveys, equipment and machinery
2	—	USSR	70	2½	Supplementary to 1959 agreement
3	—	Czechoslovakia	12	2½	Factories and industrial equipment. (Loan not used but under re-negotiation in 1969)
4	1969	USSR	12	2½	Earth-moving equipment. (The make available may have been an unused portion of Serial 1)
5	—	USSR	30	3	Direct development of oil fields and machinery, equipment, etc.
6	—	—	26·5	2½	North Rumaila oilfield, dams, river navigation, natural gas projects, etc.
7	—	GDR	35	2½	Machinery, equipment, plant and technical " know-how "
8	—	Czechoslovakia	20	Not announced	Basra Refinery
9	—	Hungary	5·35	3	Drilling four oil wells in North Rumaila and assistance in developing Iraq oil resources

CONFIDENTIAL

BRITISH EMBASSY

PARIS

4 March, 1970.

Dear Geoffrey,

Talks with the French about the Middle East and North Africa

I confirmed with Bruno de Leusse yesterday evening that he agrees to these talks taking place on Monday, 16 March. We agreed that we would aim to begin at 11 o'clock and he will look forward to having you to lunch in the usual way. The talks can then continue after lunch as long as seems necessary. I have not yet established whether he and Le Gourrierec will wish to see you jointly for a brief discussion of Libya and the Mahgreb or whether they would prefer that this should take place separately with Le Gourrierec. In any case I hope that you and Christopher Makins will dine with me that evening and I will try to get some of the French along too.

2. Agenda. De Leusse said that he imagined you would wish to begin with the main issue - the Arab/Israel conflict, the Four Power talks and the problems immediately related to those issues i.e. Israel/Jordan, Israel/Egypt and Israel/Lebanon. But he welcomed the prospect of hearing from you about developments in the Gulf and our policy there. He thought it would be useful to have an exchange of views about the situation in the Yemen and in Southern Yemen and in Saudi Arabia. He also thought that it would be helpful to discuss the situation in Iraq, with particular reference to the oil problem. He would gladly begin this by explaining how the French saw things there and what they were trying to do in the field of oil supplies; and he hoped you would reciprocate.

3. I said that this looked like a full but certainly useful agenda. He agreed, but thought it should be possible to cover the ground satisfactorily in the day you are here.

4. I will pursue with Le Gourrierec how his part of the world can best and most rapidly be dealt with. But I thought you would like to have the foregoing by tonight's bag.

Yours ever,

Michael

(A.M. Palliser)

G.G. Arthur, Esq., C.M.G.,
Foreign and Commonwealth Office.

Copy to
Mr. Speares
Mr. Tripp
Mr. Acland
Mr. Ellingworth

Could we please have a meeting at 12 noon or 3 p.m. on Monday 9 March to discuss G.G. Arthur 5/3

CONFIDENTIAL

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~~Mr. Tripp~~
~~Mr. Arthur~~

J P Tripp 21.3

Iraq

--- I attach factual notes in summary form on the subjects (other than Oil) on which Mr. Arthur will need to be briefed for his talks at the Quai on 16 March (Mr. Palliser's letter of

Flag A 4 March below).

Flag B 2. I also attach a printed copy of Mr. Balfour Paul's Despatch of 3 January on Soviet bloc penetration of Iraq. The main points of this are in Sections D and E of the notes, but Mr. Arthur may like to have the original with him for reference. Paris suggested that we should give a full or bowdlerised copy to the French in advance of the meeting, but the Departmental view was against this for fear of deliberate French indiscretions.

(S. L. Egerton)
11 March, 1970.

I resubmit in more abbreviated form.

S L Egerton
11/3

~~Mr Tripp~~

See record.
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Soviet Bloc / Iraq. file.

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The Shah's New Year message on the economy (Excerpts) The past year was a fruitful and successful year for our people. We managed to achieve a 9.5 per cent growth rate at constant prices during the period. This is higher than the figure envisaged for the fourth plan. Our gross national product growth rate for the period was nearly 13 per cent at current prices... Prices were 3.5 per cent higher this year than the previous year... In addition to investments in existing industries, 90 new plants with a total investment of 13,500 million rials started operation in the past year. The most important include two giant petrochemical plants at Abadan and Kharg, a steel rolling plant, a nylon fibre plant, a sugar refinery, a plant for producing transformers and a cement factory. During the same period, the power generating industry ... expanded considerably: in the Government sector alone it achieved a 35 per cent growth rate. As a result total production amounted to 5,500,000 Mwh., making per capita consumption more than 200 kwh. As regards increasing water resources, the projects initiated during the third plan gradually reached the utilisation stage. During the past year, five new storage dams with a total storage capacity of 3,800 million cu. m. harnessed more than 5,000 million cu. m. of water which used to go to waste, placing it at the disposal of Iran's economy. As a result, Iran's storage dams now number 11, with a total storage capacity of 9,000 million cu. m. capable of harnessing 15,000 million cu. m. of water... (Tehran in Persian 10.30 GMT 21.3.70)

Tea farmers' advance payments According to the Agricultural Products Ministry, during the period 21st March 1969 - 20th March 1970 over 147,347,000 rials was provided for tea farmers in advance payments. (Tehran in Persian 10.30 GMT 19.3.70)

Agricultural loans The Agricultural Development Fund announced that it had approved 19 loan applications worth 362,000,000 rials during the current Iranian year. Capital outlay in the projects for which the loans were advanced totalled 1,057 million rials. (Tehran in Persian 10.30 GMT 18.3.70)

IRAQ Co-operation with USSR An Iraqi-Soviet economic co-operation protocol was signed in Baghdad on 18th March by the Iraqi Oil and Minerals Minister, Sa'dun Hammadi, and Soviet Foreign Economic Relations State Committee Chairman, Kulev. It specifies steps to implement the economic and technical co-operation agreements between the two countries and calls for the formation of an oil and an industry sub-committee (Baghdad in Arabic 19.00 GMT 18.3.70). On 22nd March the Education Minister, Dr. Sa'd Abd al-Baqi, opened an art exhibition held by the Soviet cultural centre as part of the celebrations marking the centenary of Lenin's birth (INA in Arabic 10.02 GMT 23.3.70).

Acetylene factory from Hungary The Hungarian Chemokomplex firm will supply the Iraqi Ports Authority with a factory to produce acetylene gas which is used in marine illumination. The factory, to be installed in Faw area, will cost 26,000 dinars and its daily production capacity will be 960 cu. m. (INA in Arabic 14.48 GMT 24.3.70)

Railway survey by Indian experts Two groups of Indian railway experts will leave for Iraq on 24th March to conduct studies on the possibility of extending a 400 km. railway line between Baghdad and the Syrian border. The Indian Government is to build this line which will be financed from a loan granted by India to Iraq. The Indian experts are also expected to conduct negotiations with the Iraqi officials and start survey operations which will take four months. (INA in English 17.16 GMT 22.3.70)

Purchase of tankers abroad A committee has been formed at the Economy Ministry to study the purchase of used or new oil tankers and coastal ships for the Iraqi Maritime Transport Company. The Economy Minister has empowered the committee to tour foreign countries for this purpose. (INA in Arabic 09.57 GMT 23.3.70)

Northern construction The sum of 100,000 dinars was placed on 23rd March at the disposal of the Real Estate Bank in Arbil and Sulaymaniyah Bank to encourage construction in the North. (INA in Arabic 14.15 GMT 23.3.70)

P.O.

2/4

New villages On 23rd March the Agrarian Reform Minister, Izzat ad-Duri, laid the corner-stone of the modern village of the 17th July Project. He joined the Nasiriyah Governor, Abdullah Muhammad Ali and a number of peasants, workers, students and Ba'th Party members in six hours of work excavating the foundations of the houses, administration building and warehouses before returning to Baghdad. (Baghdad in Arabic 19.00 GMT 23.3.70)

Tuberculosis and malaria control According to the Director General for Health Care, Sa'dun Khalifah, his department will begin on 1st April a comprehensive survey of tuberculosis cases in Arbil and will immunise people there. Similar campaigns will be carried out in other parts of northern Iraq (Baghdad in Arabic 11.30 GMT 17.3.70). The Health Minister, Dr Izzat Mustafa, headed a conference in Arbil on 23rd March to discuss problems faced by medical establishments in the northern provinces. The conference will initiate tuberculosis and malaria control campaigns in the area (INA in Arabic 14.20 GMT 23.3.70.).

Air raid drill The Civil Defence in Baghdad Governorate has announced that a black-out should be observed on 23rd March from 21.30 to 21.35, on 25th March from 21.00 to 21.10, on 28th March from 20.00 to 20.15, and on 30th March from 20.30 to 20.50 as soon as the sirens announce the beginning of the mock air raids. A number of explosions will be set off by army engineers during these black-out periods. (Baghdad in Arabic 17.00 GMT 23.3.70)

ISRAEL Citrus exports Some 31,000,000 cases of citrus fruit have been exported during the current season. Another 14,000,000-15,000,000 cases will be exported before the end of this season. (Israel in Hebrew 12.00 GMT 21.3.70).

Aid to developing countries According to Abba Eban, Israeli Foreign Minister, Israel is currently helping 80 countries in Asia, Africa and Latin America. About 1,300 people from developing countries stay in Israel annually for advanced study and about 500 Israeli experts go abroad within the framework of this aid. (Israel in Hebrew 21.00 GMT 24.3.70)

Departure of Gaza students for Egypt A group of about 250 secondary school graduates from the Gaza Strip will cross to Egypt via Qantarah on 22nd March to continue their education in Egyptian universities. This is the last group of about 1,200 secondary school graduates from the Gaza Strip who have been accepted by the Egyptian authorities for further studies. (Israel in Hebrew 07.00 GMT 22.3.70)

Income tax payments by self-employed persons are to be raised by about 20 per cent over the 1969 figure, but because of increases in the defence loan and levy, the total amount of tax paid by the self-employed is expected to rise by some 30 per cent. (Israel in English 05.00 GMT 16.3.70)

Nuclear powered turbogenerator (Text) An Israeli plant will be the first in the world to produce a nuclear powered turbogenerator. The plant, (?Ormat), will produce a small generator with a half-kilowatt output. It will be used for communications, mainly for communications equipment stationed in areas difficult to reach. The nuclear power can operate without interrruption for about five years. (Israel in Hebrew 21.00 GMT 17.3.70)

National water conduit Next year the Mekorot water company will draw from Lake Tiberias 356,000,000 cu.m. of water, about 40,000,000 cu.m. more than in the current year. The building of another four pumps on Lake Tiberias will be completed next summer. These will increase the flow of water in the conduit from 11 to 16 cu.m. per second, and will make it possible to pump 400,000,000 cu.m. of water from Lake Tiberias in 1971-1972. (Israel in Hebrew 18.00 GMT 16.3.70)

Days lost through strikes The Chief Supervisor of Labour Relations, Gideon Ben Rafael, has stated that more than 100,000 working days were lost to the Israeli economy last year due to strikes. (Israel in English 05.00 GMT 19.3.70)

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Mr Cooper
Mr Barlow
Copies to Res Dept IRD.
SAN 8/5

BRITISH EMBASSY

BAGHDAD

2/1

4 May 1970.

Dear Peter.

Iraq/Eastern Europe Relations

You may be interested in the following brief notes of some of the more important comings and goings between Iraq and Eastern European countries:

Czechoslovakia

The Iraqi Vice President Hardan Tikriti visited Czechoslovakia between 16-29 April. In a statement on his return he said that he had held talks with the Czech Prime Minister, Deputy Prime Ministers and the Minister of Defence on a number of political, economic and technical matters of interest to the two countries; in an article in a Czechoslovak unionist daily he is quoted as saying that his talks dealt with their common attitude to important international questions and, in particular, Czechoslovakia's support for the Arab cause in Palestine. The Minister of Economy Dr. Fakhri Qadduri made a one day visit to Prague on 21 April on route to Hungary. He is said to have discussed the possibilities of economic cooperation and an agreement reached by him to export 120 thousand tons of Iraqi dates to Czechoslovakia was signed by Hardan Tikriti on 24 April. Commercial Department will be reporting on this separately when more details are available; it is thought to be connected with the Czech contract to build the Basra oil refinery.

Hungary

The Iraqi Minister of Economy Dr. Fakhri Qadduri visited Hungary between 22 and 28 April (see Arnold's letter 6/7 of 20 April). The visit resulted in the signature of the first economic and technical cooperation agreement between Iraq and Hungary on 28 April. The agreement provides for a Hungarian loan of ID 11 million for the purchase of machinery and equipment, this sum to be repaid over several years in Iraqi crude oil. The Commercial Department will again be reporting separately when fuller details are available.

Yugoslavia

A delegation from the Yugoslav Socialist Coalition visited Iraq between 28 March and 5 April; members of the delegation were Betal Antonivitch, Behodin, Hachibitovitch and (?) Shorpe. The visit seems to have been largely a party affair and the delegation

/held

P.R.M. Hinchcliffe Esq.,
Near Eastern Dept.,
F.C.O.,
London S.W.1.

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held talks with the National and Regional leaderships of the Ba'ath party and with the Iraqi General Federation of Trade Unions. They also visited Basra, Hilla and Samarra and held talks with Ba'ath party officials there. In a joint communique after the talks it was said that they had tackled the fundamental issues of interest to the two parties. They agreed on the development of friendly relations between the Arab world and Yugoslavia and condemned the Imperialist Zionist aggression in Palestine. On world affairs generally discussions were said to have centred on non-alignment as a policy. The Yugoslav delegation also explained the "Yugoslav self-orientation experiment" which was said to have been "highly appreciated by the Ba'ath delegation." It was agreed to continue further contacts.

Bulgaria

The Bulgarian Minister of Health, Dr. Akranov visited Iraq between 26 March and 7 April. No details are available of what was discussed but it appears to have been a business visit.

2. None of these movements adds anything new, but they show that there has been no let-up in the development of Iraqi relations with Soviet Bloc countries on a level more prosaic than the much vaunted Lenin Centenary celebrations and W.P.C. meetings in Moscow and Baghdad.

Yours.

Mike

- (M.K. Jenner)

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Appointments On 17th June the following, who have been newly appointed, were presented to the Shah: Kuros Amuzegar, Minister of Housing and Development; Khodadad Farmanfarmaian, Managing Director of the Plan Organisation; and Mehdi Samii, Governor of the Central Bank. (Tehran in Persian 10.30 GMT 17.6.70)

Military promotion The Commander of the Imperial Iranian Ground Forces, Lt-Gen. Minbashian, has been promoted to General. (Tehran in Persian 10.30 GMT 17.6.70)

IRAQ **Atomic Energy Commission's Visit to Moscow** An Iraqi Atomic Energy Commission delegation left Baghdad for Moscow on 20th June on 10-day visit to follow up implementation of the scientific and technical co-operation agreement with the Soviet Union. The delegation is headed by the Iraqi Atomic Energy Commission's general secretary, Muyassar al-Mallah, and includes the acting Director of Nuclear Research, Dr. Ali Agiyah Abdullah; and member of the Atomic Energy Commission, and Director of Radioactive Isotopes at the Jumhuri Hospital, Dr. Sadiq Nu'man al-Ghayti. (Baghdad in Arabic 15.00 GMT 20.6.70)

(a)

24/6

A Czechoslovak economic delegation left Baghdad for home on 22nd June at the end of a visit during which an economic and technical co-operation agreement was reached. (Baghdad in Arabic 15.00 GMT 22.6.70)

Oil agreement with Spain A contract was signed on 17th June at the Iraqi National Oil Company headquarters with the Spanish (?Korb) firm in accordance with a protocol signed last January. The contract contains a timetable for deliveries of oil produced in 1972 in return for projects the Spanish firm will implement in Iraq. These projects include a pipe factory in Iskandariyah, a sugar mill to be constructed in 24 months in Sulaymaniyah, and the building of seven 25,000-ton tankers. Delivery of the tankers is to begin in 1972. (Baghdad in Arabic 19.00 GMT 17.6.70)

The Budget The National Assembly on 16th June approved the general Budget allocations for the year 1970-71, as follows: estimated general revenue - 319,385,873 dinars; estimated expenditure on salaries and wages - 99,940,343 dinars; estimated public expenditure; 25,227,215 dinars; estimate for production projects - 75,763,239 dinars; estimate for unclassified and transferable expenditure - 116,753,884 dinars. (Kuwait in Arabic 10.00 GMT 16.6.70)

LEBANON **Trade agreements** The Parliamentary Committee on the National Economy on 17th June approved four trade agreements with the UAR, Iraq, Sudan and the USSR. (Beirut in Arabic 18.00 GMT 17.6.70)

SOUTHERN YEMEN **Regulation of shipping and aircraft movement** The newspaper '14th October' has reported that ministerial decrees are expected to be issued providing for the regulation of shipping and aircraft entry into and departure from the Republic of Southern Yemen. (Aden in Arabic 15.00 GMT 17.6.70)

Opening of Aden police training centre On 20th June the Premier, Muhammad Ali Haytham, opened a police training centre in Tawahi. He said the centre would be the nucleus of the police college which it was hoped to set up eventually. (Aden in Arabic 15.00 GMT 20.6.70)

Appointments The following appointments have been made: Faris Salim Ahmad, Under-Secretary for Local Administration Affairs at the Ministry of the Interior; Abd al-Aziz Abd al-Wali Nashir, Under-Secretary for Police Affairs at the Ministry of the Interior. (Aden in Arabic 15.00 GMT 20.6.70)

Corrigendum ME/W574/A1/3, item on "Oil prospecting in Thamud desert with Algerian co-operation", line three: for "100 sq.m." read "100 square miles".

Reference

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~~Mr Brown~~ minute overleaf PUSD.

USSR / IRAQ RELATIONS

Moscow Telegram no 873 of 31 July

We have little to add to Mr Symons letter (copy attached) If you have any additional evidence to explain this deterioration (which has been ~~noticed~~ noticeable over the past two months or so) which could be incorporated into a telegram to Moscow I would be glad to have it as soon as possible.

2. Failing the production of any further material I intend to tell Moscow that we have nothing of substance to add to Mr Symons letter (apart from the 1 new factor :- IRAQ'S REJECTION OF THE SOVIET INITIATIVE).

P R M Hinchcliffe
(HINCHCLIFFE) NED (3/8/70)

cc.
Mr MALLABY (EESD)

RESEARCH DEPT
MESSRS
BISHOP (Soviet Section)
RUNDLE (ME Section)

IRD (MRS ELWELL)

grateful for any additional information.

Mr. Hinchcliffe
Near Eastern Department

USSR/Iraq Relations

I am afraid that we do not have much to add to Mr. Symons' letter.

2. It is worth noting however that the acceptance by the UAR, Jordan and Israel of the American peace formula and its rejection by the Iraqis will doubtless exacerbate relations between the Soviet Union and Iraq. We believe that Iraq has already been the target of attach because of this in Pravda.

D. Logan.

(D. B. C. Logan)
P.U.S.D.
5 August, 1970

A statement of the obvious already (accounted for in my minute to PUSD! Now the telegram ad f

Reg PA

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Baghdad 'Ath-Thawrah' on Chinese Army Anniversary

xt of press review quotation of 'Ath-Thawrah' article entitled: "On the 43rd. anniversary of the Army of the People's Republic of China may Arab-Chinese friendship be strengthened":

While the bloody struggle between world revolutionary forces and imperialism under US leadership is continuing and at a time when the liberation wave of revolutionary people is rising, regardless of the discordant voices which are shaking in fear of the imperialist nuclear blackmail, China stands as one of the important bastions defying world imperialism and its lackeys. The establishment of the People's Republic of China has added massive qualitative and quantitative weight to the world liberation movement. Throughout its 20-year history, it has proven in words and deeds that it is a loyal friend of people struggling for their national independence, social progress and national unity.

Under the wise leadership of Chairman Mao Tsetung and the creative application of scientific socialism, the friendly Chinese people have consolidated their national independence, set up their people's democratic republic, begun laying the foundations for their social and economic development and socialist transformation, and achieved bright successes in the field of scientific development and technology. China entered the space race and in a short time smashed certain big Powers' monopoly of nuclear arms. Along with the speedy progress of independent social development, the Chinese Communist Party leaders mobilised the broad masses to defeat the aggressors if they should try to defile the revolutionary soil.

The Chinese Government has strengthened and developed its popular army and its armament, thus making it an impregnable force for the protection of the socialist system in China and a reserve force for the world's people, particularly those in the Far East.

The armed popular struggle in China has set an example worth following in overthrowing reactionary systems. During the people's war China liberated itself from the reactionary regime backed by imperialist bayonets. It kicked the agent Chiang Kai-shek regime out of the Chinese mainland and into Formosa.

China's defiance of world imperialism, which it showed as a paper tiger despite its nuclear teeth, China's sympathy with and firm support for the armed revolutionary struggle of world peoples, and its numerical strength makes it a major force of steadfastness against the fierce imperialist onslaught. In a blazing area such as the Far East, where the armed revolutionary struggle is escalating and where imperialism is using all its capabilities and resources to wage a war of aggression, China's revolutionary presence gains extreme significance and helps and maintains this struggle.

China's understanding of our people's cause, national unity, the struggle for the liberation of Palestine and for putting an end to the synthetic Zionist entity; China's non-recognition of Israel; and its open and frank support for the Arab resistance movement places it in the first line of friends who support our people. The harmony between the Arab and Chinese liberation movements, the similar understanding they have regarding the international situation and the method of solving its problems, and the fact that the Chinese people are experiencing the same type of national problem we are experiencing, regaining Taiwan Island - all these will strengthen the struggle relations between our two peoples. All this will also build the Arab-Chinese friendship on sound foundations.

There is wide scope for fruitful co-operation and equal relations of comrades between the Arab liberation movement and the Chinese socialist regime. At a time when the unity of world revolutionary forces is extremely important, our people look to more struggle relations and more steps to be taken in this direction. May the Arab-Chinese friendship strengthen. Our warm greetings to the Chinese People's Army on its anniversary. May our people's struggle triumph over imperialism, the agents and those who weaken us.

6/8

Baghdad 'Ath-Thawrah' on the Rogers Plan

Baghdad home service in Arabic 05.00 GMT 3.8.70

Excerpts from press review quotation of 'Ath-Thawrah' editorial:

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31.7.70).

Iraq/USSR

IRAQ Agreements with USSR on machinery and equipment In Baghdad on 29th July three agreements were signed between the Agrarian Reform Ministry and three Soviet companies on providing Iraq with heavy machinery, agricultural equipment, vehicles and spare parts at a cost of 1,118,000 dinars; 20 per cent of this sum will be paid in cash and the balance in five instalments. The Agrarian Reform Minister, Izzat ad-Duri, said that Iraq would buy more Soviet equipment in future. The Ministry would negotiate other agreements on imports of heavy machinery to connect the Tharthar project with the Euphrates and to build the main drainage canal to connect the major Musayyib project with Ghawr al-Hammar. (Baghdad in Arabic 17.00 GMT 29.7.70)

Iraq/Bloc Relations

Trade with Eastern Germany A meeting in Berlin of the joint East German-Iraqi economic committee has produced new arrangements for 1970-71. Further negotiations will take place early in 1971 to obtain a trade balance by including exports of crude oil by the Iraqi National Oil Company. The new arrangements also include an East German undertaking to import Iraqi products worth at least 30 per cent of the value of Iraqi imports from Eastern Germany, and also up to 250 tons of dates for human consumption in 1970 and up to 300 tons in 1971, and 10,000 tons of fodder dates in 1970 and 15,000 tons in 1971. Eastern Germany is to do its utmost to import other Iraqi products such as grains, oil seeds, hides, wool and petroleum products. (Baghdad in Arabic 15.00 GMT 18.7.70; EE/W581/A/12)

Polish assistance for sugar refinery A sugar refinery is now under construction with Polish assistance at Mosul; capacity - 3,000 tons of beet a day. (PAP in English 11.20 GMT 21.7.70; EE/W582/A/28)

Bulgarian aid to agriculture On 22nd July the Agriculture Minister, Nafidh Jalal, discussed with the Bulgarian Ambassador the technical agreement concluded between the two countries and Bulgaria's participation in agricultural projects in Baqubah, Basrah, and in the North. Under the agreement, a number of Bulgarian experts will be sent to these farms. (Baghdad in Arabic 17.00 GMT 22.7.70)

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Oil refinery equipment from Czechoslovakia A train consisting of 45 cars carrying equipment for an oil refinery which Czechoslovak specialists have started building at Basrah left Brno for Iraq on 24th July. Other trains with heavy equipment are to follow soon. (Tass in English 13.40 GMT 24.7.70)

Cultural agreement with Slovakia An Iraqi educational and cultural delegation led by Abd al-Karim, Deputy Minister of Education, has signed in Bratislava the executive plan to a cultural agreement between Iraq and Slovakia. (CTK in English 20.28 GMT 24.7.70; EE/3442/A4/1)

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IRAQ **Ginning machines from USSR** Three ginning machines have been imported from the USSR. (Baghdad in Arabic 17.00 GMT 5.8.70)

Oil drilling by Hungary Chemocomplex and the crude oil and natural gas trust of Hungary are now engaged on sinking in southern Iraq four oil wells to depths of over 3,500m.; completion in 400 days. (MTI in English 14.27 GMT 30.7.70; EE/W583/A/11)

East German shipyard delegation An East German delegation for building shipyards arrived in Basrah on 4th August and visited the site for the Iraqi shipyard in the Jubaylah area. The delegation will draw up complementary studies for this plant, which will be equipped by Eastern Germany in accordance with the economic and technical co-operation agreement signed between the two countries. The shipyard will be completed in 1973, will build fourteen 1,500-ton ships a year, will repair ships, and will cost 5,000,000 Iraqi dinars. (Baghdad in Arabic 15.00 GMT 4.8.70)

Air agreement with USSR A supplementary protocol to the 1962 Iraqi-Soviet agreement on the organisation of air traffic was signed in Baghdad on 4th August. (Baghdad in Arabic 15.00 GMT 4.8.70)

ISRAEL **Rumanian irrigation delegation** Twenty Rumanian water specialists and agronomists are to participate in the second session of the international symposium on irrigation opening on 3rd August at the Volcani Institute of Agricultural Research in Beit Dagon. The symposium is being held at the request of the Rumanian Agriculture Minister. (Israel in Hebrew 17.00 GMT 2.8.70)

Exports According to the Central Bureau of Statistics, in the first seven months of 1970 exports rose by four per cent compared with the same period in 1969, and totalled 454,000,000 dollars. This is a smaller increase than expected. July exports, totalling 52,000,000 dollars, were the same as in July 1969, and consisted of industrial goods. (Israel in Hebrew 11.00 GMT 6.8.70)

Nuclear power station The Atomic Energy Committee has named two sites for nuclear power stations, one north of Ashqelon in the Barnea area and the other south of Ashqelon near Kibbutz Zikkim. The stations are planned to be in operation in the next decade and will supply electricity to central Israel. The Ashqelon local town-planning committee and the regional town-planning council have postponed confirmation of the sites in order to investigate the matter further. (Israel in Hebrew 12.00 GMT 5.8.70)

Electronic concrete installation An electronic device for producing concrete has been put into operation in Galilee to supply permanent settlements in the Golan Heights. The installation, which is located in the Kefar Giladi quarry, is operated solely on transistors and has electronic devices to control weighing and measuring. The production capacity is 100 cu.m. per hour. (Israel in Hebrew 20.00 GMT 1.8.70)

Additions to Zim fleet Moshe Kashti, General Manager of the Zim Navigation Company, said on 2nd August that the company had ordered in Europe 17 modern cargo ships, including two super-tankers. This represented an investment of 116,000,000 dollars and the vessels would be delivered during the next four years. (Israel in Hebrew 17.00 GMT 2.8.70)

LAST PAPER

Extent Of Soviet Bloc Penetration Of Ba'athist Iraq In Relation To Arms, Trade And Politics; Iraqi-Czech Oil Contract. Relations Between Soviet Bloc And Iraq. 4 Feb. 1971. MS Middle East Online: Iraq, 1914-1974: Selected files from series AIR, CAB, CO, FCO, FO, PREM, T, WO, The National Archives, Kew, UK FCO 17/1245. Newspaper Cutting And Tables. The National Archives (Kew, United Kingdom). Archives Unbound, link.gale.com/apps/doc/SC5107475566/GDSC?u=webdemo&sid=bookmark-GDSC&xid=5587c137&pg=1. Accessed 11 Apr. 2022.